
REGULATORY OVERVIEW

THE PRC LAWS, REGULATIONS AND POLICIES

This section sets out summaries of certain aspects of the laws, regulations and policies of the PRC, which are relevant to business operations of the Company.

Laws, Regulations and Policies Relating to the Integrated Circuit Industry

From 2010 to 2021, the State Council has issued a series of regulations aimed at promoting the development of the integrated circuit industry, which includes the Decision of the State Council on Accelerating the Cultivation and Development of Strategic Emerging Industries (《國務院關於加快培育和發展戰略性新興產業的決定》), the Notice of the State Council on Promulgation of Several Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《國務院關於印發進一步鼓勵軟件產業和集成電路產業發展若干政策的通知》), the Outline for Advancing the National Integrated Circuit Industry (《國家集成電路產業發展推進綱要》), Made in China 2025 (《中國製造(2025)》) and the Notice of the State Council on Promulgation of Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries in the New Era (《國務院關於印發新時期促進集成電路產業和軟件產業高質量發展若干政策的通知》).

On January 25, 2017, the National Development and Reform Commission (the “**NDRC**”) promulgated the Strategic Emerging Industries Key Products and Services Guidance Catalog (《戰略性新興產業重點產品和服務指導目錄》), which includes integrated circuit chip design and services as a key product and service in the strategic emerging industries.

On March 28, 2018, the Ministry of Finance (the “**MOF**”), the State Taxation Administration (the “**STA**”), the NDRC and the Ministry of Industry and Information Technology (the “**MIIT**”) jointly promulgated the Notice on Issues Concerning Corporate Income Tax Policies for Integrated Circuit Manufacturers (《關於集成電路生產企業有關企業所得稅政策問題的通知》), which grants income tax exemptions or reductions to some integrated circuit manufacturing companies. The next year, the MOF and the STA jointly promulgated the Announcement on Income Tax Policies for Integrated Circuit Design and Software Enterprises (《關於集成電路設計和軟件產業企業所得稅政策的公告》). Pursuant to the foregoing provisions, integrated circuit design enterprises and software enterprises satisfying the criteria shall enjoy an incentive period with effect from their profit-making years prior to December 31, 2018, and be exempted from enterprise income tax for the first year to the second year, and pay enterprise income tax based on 50% off the statutory 25% tax rate from the third year to the fifth year, until the incentive period expires.

The Notice on Administrative Measures on Import Tax Policies to Support the Development of the Integrated Circuit Industry and the Software Industry (《關於支持集成電路產業和軟件產業發展進口稅收政策管理辦法的通知》) jointly promulgated by the MOF, the NDRC, the MIIT and

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other departments became effective on July 27, 2020. On the same day, the Notice of the MOF, the General Administration of Customs and the STA on Import Tax Policies to Support the Development of the Integrated Circuit Industry and the Software Industry (《財政部、海關總署、稅務總局關於支持集成電路產業和軟件產業發展進口稅收政策的通知》) took effect. The above notices relating to import tax for the integrated circuit industry have made some installment tax payment policies and import tariff exemption policies.

On March 12, 2021, the National People's Congress (the "NPC") approved the Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Long-Range Objectives for 2035 of the PRC (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), which clarifies that the PRC should foster advanced manufacturing clusters and promote the innovation and development of industries such as integrated circuits, aerospace equipment, high-tech ships and ocean engineering equipment, robots, advanced railway equipment, advanced power equipment, engineering machinery, high-end CNC machine tools, medicine and medical equipment.

On May 21, 2022, the STA issued the Guidelines on Tax Preference Policies for Software and Integrated Circuit Enterprises (《軟件企業和集成電路企業稅費優惠政策指引》). For the purpose of facilitating timely knowledge of applicable tax policies, the foregoing guidelines has clearly demonstrated preference contents, conditions and policy basis for integrated circuit enterprises.

Pursuant to the Notice of the MOF and the STA on the Weighted Deduction Policy for Value-added Tax on Integrated Circuit Enterprises (《財政部、稅務總局關於集成電路企業增值稅加計抵減政策的通知》), which was promulgated on April 20, 2023, from January 1, 2023 to December 31, 2027, enterprises engaged in the design, production, closed beta test, equipment and materials of integrated circuits are allowed to deduct extra 15% of the deductible input tax in the current period from the value-added tax payable.

Pursuant to the Announcement on Increasing the Proportion of Weighted Deduction of R&D Expenses of Enterprises for Integrated Circuit and Industrial Master Machine (《關於提高集成電路和工業母機企業研發費用加計扣除比例的公告》) jointly promulgated by the MOF, the STA, the NDRC and the MIIT on September 12, 2023, for R&D expenses actually incurred by enterprises for integrated circuit and industrial master machine in their R&D activities, an extra 120% of the amount actually incurred during the period from January 1, 2023 to December 31, 2027 is deductible before tax payment, in addition to the deduction of actual expenses as prescribed, provided that the said expenses are not recognised as intangible asset and included in the current profits and losses; if the said expenses have been recognised as an intangible asset, such expenses may be amortised at the rate of 220% of the costs of the intangible assets before tax payment in the above period.

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Laws and Regulations Relating to Company

Company Law of the PRC

On December 29, 1993, the Standing Committee of the National People’s Congress (the “SCNPC”) issued the Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”), which was most recently amended by the SCNPC on December 29, 2023 and came into effect on July 1, 2024. All companies established in the PRC are subject to the Company Law. The Company Law regulates the establishment, operation, corporate structure and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares.

Transfer of Shares

Shares may be transferred in accordance with relevant laws and regulations. Registered shares shall be transferred by means of endorsement or other means prescribed by laws or regulations; after the transfer, the company shall record the name and domicile of the transferee in the register of shareholders of the company. Within 20 days before the general meeting of shareholders or within 5 days before the record date of dividend distribution determined by the company, the above-mentioned register of shareholders shall not be changed. The transfer of bearer shares shall take effect when the shareholder delivers the shares to the transferee.

Restrictions on Shareholding and Transfer of Shares

Generally, the target investors of H shares offering by domestic enterprises shall be overseas investors. Where domestic investors subscribe H shares issued by domestic enterprises, domestic investors shall be compliant with relevant provisions of the cross-border investment, such as qualified domestic institutional investors (QDII) or overseas direct investment filling (ODI), etc.

Pursuant to the Company Law, shares issued prior to the public offering shall not be transferred within one year from the date a company’s shares are listed and traded on a stock exchange. The directors and senior management personnel of the company shall report to the company the shares held by them and their changes, and the shares transferred each year during their term of office shall not exceed 25% of the total shares of the company held by them. The above-mentioned personnel shall not transfer their shares of the company within half a year after their resignation. The Articles of Association may make other restrictive provisions on the transfer of shares held by the directors and senior management personnel of the company.

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Foreign Investment Law of the PRC and Implementation Regulations for the Foreign Investment Law of the PRC

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) was promulgated by the NPC on March 15, 2019, which came into effect on January 1, 2020. The Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) was promulgated by the State Council on December 26, 2019, which came into effect on January 1, 2020. The aforementioned laws and regulations establish principles and measures aimed at encouraging foreign investment, and explicitly stipulate that China provides legal protection for the investments, profits and other lawful rights and interests of foreign investors in China. The Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2024) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**2024 Negative List**”) was jointly promulgated by the Ministry of Commerce (the “**MOFCOM**”) and the NDRC on September 6, 2024, which came into effect on November 1, 2024. The 2024 Negative List comprehensively enumerates restrictive measures for foreign investment market access, covering 11 industries. Industries not included on the list shall be subject to administration pursuant to the principle of equal treatment for domestic and foreign investment.

Laws and Regulations Relating to Securities and Overseas Listing

Laws and Regulations relating to Securities

The Securities Law of the PRC (《中華人民共和國證券法》) (the “**Securities Law**”), which was promulgated by the SCNPC on December 29, 1998, most recently amended on December 28, 2019 and came into effect on March 1, 2020, comprehensively regulates activities in the Chinese Mainland securities market, including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that domestic enterprises issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic enterprises using foreign currencies, detailed measures shall be stipulated by the State Council separately. The China Securities Regulatory Commission (the “**CSRC**”) is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issuance and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

On February 17, 2023, the CSRC issued a series of regulations governing the filing and administration of overseas securities issuance and listing by domestic enterprises. These included the trial measures and five supporting guidelines (collectively known as the “**Overseas Listing**

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Regulations”). According to the Overseas Listing Regulations, the domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to submit the requisite documents to the CSRC within three business days after submitting their overseas listing application. The Overseas Listing Regulations provides that an overseas offering and listing is explicitly prohibited, if any of the following applies: (i) such securities offering and listing is explicitly prohibited by laws, administrative regulations or relevant state rules; (ii) the proposed 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 offer and list securities, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to offer and list securities is currently under investigations in accordance with the law for suspicion of offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller. Furthermore, the Overseas Listing Regulations stipulate that after an issuer offers and lists securities on an overseas market, it must submit a report to the CSRC within three business days following the occurrence and public disclosure of any of the following events: (i) change of control; (ii) investigations or sanctions on the issuer imposed by overseas securities regulatory agencies or relevant competent authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting. Domestic enterprises that seek to offer and list securities in overseas markets shall strictly comply with national security-related laws, administrative regulations and rules in areas such as foreign investment, cybersecurity and data security, and shall effectively fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and other three relevant government authorities jointly promulgated the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Provisions on Confidentiality**”). Pursuant to the Provisions on Confidentiality, where a domestic enterprise provides or publicly discloses documents or materials to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Work drafts generated within China by securities companies and securities service institutions that provide services for overseas issuance and listing of domestic enterprises shall be stored within China. Any cross-border transfer of such drafts shall undergo approval procedures in accordance with relevant state regulations.

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Administrative Measures for Overseas Investments and Administrative Measures for the Outbound Investment by Enterprises

The Administrative Measures for Overseas Investments (《境外投資管理辦法》) was promulgated by the MOFCOM on September 6, 2014, which came into effect on October 6, 2014. The Administrative Measures for the Outbound Investment by Enterprises (《企業境外投資管理辦法》) was promulgated by the NDRC on December 26, 2017, which came in effect on March 1, 2018. According to these measures, overseas investments refer to investment activities conducted by domestic enterprises, either directly or through their controlled overseas enterprises, by contributing assets or equity, providing financing or guarantees or other means, to obtain ownership, control, management rights, and other related interests in offshore entities. Sensitive projects carried out by the investing entities directly or through overseas enterprises controlled by them shall be subject to approval. The MOFCOM and provincial competent commerce authorities are responsible for administering and supervising the overseas investments, and conduct filing or approval management depending on different circumstances of overseas investments of enterprises. Overseas investments involving any sensitive country or region, or any sensitive industry shall be subject to the approval by the NDRC, and overseas investments under other circumstances shall be subject to filing. The MOFCOM and provincial competent commerce authorities manage overseas investments through the “Overseas Investment Management System”, and issue the Enterprise Overseas Investment Certificate to enterprises that have obtained filing or approval.

Notice of the People’s Bank of China and the State Administration of Foreign Exchange on Issues Concerning Capital Management for Overseas Listing of Domestic Enterprises

The Notice of the People’s Bank of China and the State Administration of Foreign Exchange on Issues Concerning Capital Management for Overseas Listings of Domestic Enterprises (《中國人民銀行 國家外匯管理局關於境內企業境外上市資金管理有關問題的通知》) was promulgated on December 26, 2025, and will come into effect on April 1, 2026. According to the Notice, in principle, the proceeds raised by domestic enterprises from overseas listing shall be repatriated to China in a timely manner. If such proceeds are retained overseas for purposes such as overseas direct investment, overseas securities investment, or overseas lending, the enterprises must obtain approval or filing documents from the competent governmental authorities before the completion of the overseas offering or the over-allotment exercise, and shall comply with the relevant regulations concerning cross-border capital management.

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Laws and Regulations Relating to Intellectual Property Rights

Patent Law of the PRC and Implementing Rules for the Patent Law of the PRC

The Patent Law of the PRC (《中華人民共和國專利法》) was enacted by the SCNPC on March 12, 1984 and implemented on April 1, 1985. It was most recently amended on October 17, 2020 and implemented on June 1, 2021. The Implementing Rules for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) was promulgated on January 19, 1985 and implemented on April 1, 1985. It was most recently amended on December 11, 2023 and implemented on January 20, 2024. Pursuant to these laws, regulations and implementing rules, patents in China are categorized into three types: invention, utility model and design. The duration of an invention is 20 years, the duration of a utility model is 10 years, and the duration of a design is 15 years, all calculated from the date of application. Any entity or individual implementing a patent owned by another party shall enter into a licensing agreement with the patent holder and pay royalties. Any implementation of a patent without the authorization of the patent holder constitutes an infringement of the patent right unless otherwise provided by laws or regulations.

Trademark Law of the PRC and Implementation Rules of the Trademark Law of the PRC

The Trademark Law of the PRC (《中華人民共和國商標法》) was promulgated by the SCNPC on August 23, 1982 and implemented on March 1, 1983. It was most recently amended on April 23, 2019 and implemented on November 1, 2019. The Implementing Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) were promulgated by the State Council on August 3, 2002 and implemented on September 15, 2002. It was most recently amended April 29, 2014 and came in to effect on May 1, 2014. Pursuant to these laws and regulations, the duration of a registered trademark is 10 years, commencing from the date of approval. Upon expiry of the validity period of a registered trademark, where the trademark registrant intends to continue using the trademark, it shall complete renewal formalities pursuant to the provisions within the 12-month period before the expiry date; where renewal formalities are not completed within the stipulated period, a six-month extension may be allowed. The validity period of each renewal shall be 10 years, commencing from the date following expiry of the preceding validity period. A trademark registrant may authorize others to use his registered trademark by signing a trademark license agreement.

Copyright Law of the PRC and Implementing Regulations for the Copyright Law of the PRC

The Copyright Law of the PRC (《中華人民共和國著作權法》) was promulgated by the SCNPC on September 7, 1990 and implemented on June 1, 1991, and was last amended on November 11, 2020, effective June 1, 2021. The Implementing Regulations for the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) were promulgated on May 30, 1990 and

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implemented on June 1, 1991, and were last amended on January 30, 2013, effective March 1, 2013. According to these laws and regulations, works of Chinese citizens, legal persons, or other organizations, including but not limited to works of literature, art, natural science, social science, engineering technology and computer software, shall enjoy copyright whether published or not. Copyright owners enjoy a variety of rights, including the right of publication, the right of authorship and the right of reproduction.

Regulations on the Protection of Computer Software

According to the Measures for Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002, and the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) amended by the State Council on January 30, 2013 and effective on March 1, 2013, the National Copyright Administration is primarily responsible for the registration and management of software copyright in the Chinese Mainland, and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center will issue registration certificates to applicants for computer software copyright who meet the provisions of the Measures for Registration of Computer Software Copyright and the Regulations on the Protection of Computer Software.

Regulations for the Protection of Layout-Designs of Integrated Circuits and Detailed Implementation Rules for the Regulations for the Protection of the Layout Design of Integrated Circuits

The Regulations for the Protection of Layout-Designs of Integrated Circuits (《集成電路布圖設計保護條例》) were promulgated by the State Council on April 2, 2001, and implemented on October 1, 2001. The Detailed Implementation Rules for the Regulations for the Protection of the Layout Design of Integrated Circuits (《集成電路布圖設計保護條例實施細則》) were promulgated by the National Intellectual Property Administration on September 18, 2001, and implemented on October 1, 2001. According to these regulations, natural persons, legal persons or other organizations that create layout-designs in China enjoy the exclusive rights to their designs. Foreign natural persons whose layout-designs are first put into commercial use within the territory of China may also enjoy the exclusive rights to their designs. The term of protection for the exclusive right of layout-designs is 10 years, calculated from the date of filing the application for registration of the layout-design or the date on which it is first put into commercial use anywhere in the world, whichever is earlier. However, regardless of whether it is registered or put into commercial use, a layout-design shall no longer be protected by these regulations 15 years after the date of the completion of its creation.

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Administrative Measures on Internet Domain Names

The Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) were promulgated by the MIIT on August 24, 2017, and implemented on November 1, 2017. According to these Measures, the MIIT is the primary regulatory authority responsible for the administration of internet domain names in China. Domain name registration is handled by root server operators and their operating institutions, domain name registry administrators and domain name registration service providers established in accordance with relevant regulations.

Laws and Regulations Relating to Employment and Social Welfare

Employment

The primary PRC laws and regulations regulating employment relationships include the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and their implementing regulations, which impose stringent requirements on employers regarding the signing of employment contracts, hiring temporary employees and dismissal of employees.

Labor Law of the PRC

The Labor Law of the PRC (《中華人民共和國勞動法》) (the "**Labor Law**"), was promulgated by the SCNPC on July 5, 1994, implemented on January 1, 1995, and was last amended and implemented on December 29, 2018. The Labor Law stipulates matters concerning employment promotion, labor contracts, working hours, rest and leave, wages, labor safety and hygiene, special protection for female and minor employees, vocational training, social insurance and welfare, labor disputes, supervision and inspection, and legal liability.

Labor Contract Law of the PRC and Implementation Regulations for the Labor Contract Law of the PRC

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) was promulgated by the SCNPC on June 29, 2007, and implemented on January 1, 2008, with the latest amendment on December 28, 2012, effective on July 1, 2013. The Implementation Regulations for the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) were promulgated and implemented by the State Council on September 18, 2008. According to the aforementioned laws and regulations, a written labor contract must be concluded when establishing a labor relationship. Employers must not force employees to work overtime, and if overtime work is arranged, overtime wages must be paid in accordance with laws and regulations. Wages shall not be lower than the local minimum wage standard and must be paid to employees in a timely manner.

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Social Security Law of PRC and Provisional Regulations for the Collection and Payment of Social Insurance Premiums

The Social Security Law of the PRC (《中華人民共和國社會保險法》, the “**Social Security Law**”) was promulgated by the SCNPC on October 28, 2010 and was last amended on December 29, 2018. It establishes a social insurance system covering basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance, and elaborates on the legal liabilities of employers who fail to comply with social insurance-related laws and regulations. According to the Social Security Law and the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999, and last amended and effective on March 24, 2019, enterprises shall register for social insurance with local social insurance agencies and pay or withhold relevant social insurance premiums for their employees. Any employer failing to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a specified period, and shall pay a late fee. If the employer still fails to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

Regulations on the Housing Provident Fund

According to the Regulations on the Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and last amended on March 24, 2019, employers in the Chinese Mainland must provide their employees with benefit plans covering basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing provident fund. Employers who fail to make contributions to the aforementioned social insurance and housing provident fund may be fined and ordered to make full payment within the prescribed time. If the employer still fails to pay the social insurance and housing provident fund within a prescribed time limit, an application may be made to a court for enforcement.

Laws and Regulations Relating to Foreign Exchange

Foreign Exchange Control Regulations of the PRC

The Foreign Exchange Control Regulations of the PRC (《中華人民共和國外匯管理條例》) were promulgated by the State Council on January 29, 1996, and implemented on April 1, 1996, with the latest amendment and effective date being August 5, 2008. According to these Regulations, RMB is generally freely convertible for current account transactions, such as foreign exchange transactions related to trade and services and dividend payments. However, unless prior

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approval is obtained from the foreign exchange administrative authorities, capital account transactions, including capital transfers, direct investment, securities investment, derivatives or loans, are not allowed to be freely converted.

Administrative Regulations on Settlements, Sales and Payments in Foreign Exchange, and Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises

The Administrative Regulations on Settlements, Sales and Payments in Foreign Exchange (《結匯、售匯及付匯管理規定》) were promulgated by the People’s Bank of China on June 20, 1996, and implemented on July 1, 1996. The Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) was promulgated on March 30, 2015. The Notice of the State Administration of Foreign Exchange on Repeal and Invalidation of Five Regulatory Documents on Foreign Exchange Administration and Some Clauses of Seven Regulatory Documents on Foreign Exchange Administration (《國家外匯管理局關於廢止和失效5件外匯管理規範性文件及7件外匯管理規範性文件條款的通知》), promulgated and implemented on December 30, 2019, repealed the provision in Article 6 stating “Foreign exchange funds in the special deposit accounts for inward remittances from abroad and inward transfers within the country shall not be settled and used.” The Notice of the State Administration of Foreign Exchange on Repealing and Nullifying 15 Regulatory Documents on Foreign Exchange Control and Adjusting the Provisions of 14 Regulatory Documents on Foreign Exchange Control (《國家外匯管理局關於廢止和失效15件外匯管理規範性文件及調整14件外匯管理規範性文件條款的通知》), issued and implemented on March 23, 2023, deleted the content under Item (1) of Article 7: “For banks that seriously and maliciously violate regulations, their foreign exchange transactions under capital accounts may be suspended according to relevant procedures. For foreign-invested enterprises and others that seriously and maliciously violate regulations, their eligibility for voluntary foreign exchange settlement may be revoked. Furthermore, until they submit a written explanation and make corresponding rectifications, other foreign exchange transactions under capital accounts shall not be processed for them.”

According to these regulations, domestic institutions must open foreign exchange accounts with banks authorized to conduct foreign exchange business in their registration area and handle foreign exchange settlement, purchase and payment according to these regulations. Domestic institutions opening foreign exchange accounts in different locations or abroad must apply to the State Administration of Foreign Exchange (the “SAFE”). Foreign-invested enterprises can open foreign exchange settlement accounts with banks authorized to conduct foreign exchange business in their registration area for foreign exchange income under current accounts with approval.

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Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-Related Businesses

The Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-Related Businesses (《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》) was issued and implemented by SAFE on April 10, 2020. According to this notice, enterprises meeting certain conditions are permitted to use income under the capital accounts, including capital funds, foreign debts and overseas listing proceeds, for domestic payments without needing to provide proof of authenticity to banks on a transaction-by-transaction basis in advance, as long as the fund usage is genuine, compliant and in accordance with current capital account income management regulations. Handling banks shall manage and control relevant business risks following the principle of prudent operation and conduct post-hoc spot checks afterwards on the payment facilitation business for income under the capital account handled by them according to relevant requirements.

Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment

The Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) was issued by SAFE on February 13, 2015 and implemented on June 1, 2015, which was partially repealed by the Notice of the SAFE on Repeal and Invalidation of Five Regulatory Documents on Foreign Exchange Administration and Some Clauses of Seven Regulatory Documents on Foreign Exchange Administration (《國家外匯管理局關於廢止和失效5件外匯管理規範性文件及7件外匯管理規範性文件條款的通知》) issued and implemented on December 30, 2019. As per this notice, banks directly review and handle foreign exchange registration under domestic direct investment and foreign direct investment, while SAFE and its branches exercise indirect supervision over foreign exchange registration for direct investments through banks.

Laws and Regulations Relating to Taxation

Corporate Income Tax Law of the PRC, Implementing Regulations for the Corporate Income Tax Law of the PRC and Administrative Measures on Accreditation of High-tech Enterprises

The Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) was promulgated by the SCNPC on March 16, 2007, implemented on January 1, 2008, and last amended and implemented on December 29, 2018. The Implementing Regulations for the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) were promulgated by the State Council on December 6, 2007, implemented on January 1, 2008, and last amended on December 6, 2024. The Administrative Measures on Accreditation of High-tech

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Enterprises (《高新技術企業認定管理辦法》) were issued by the Ministry of Science and Technology (the "MOST"), the MOF and the STA on January 29, 2016, and implemented on January 1, 2016. According to these laws and regulations, both resident enterprises and non-resident enterprises are subject to a uniform enterprise income tax rate of 25%. Enterprises recognized as high and new technology enterprises are subject to a tax rate of 15%, while eligible small and low-profit enterprises are subject to a tax rate of 20%. However, non-resident enterprises that have not established institutions or places in China, or whose income is not effectively connected with their established institutions or places in China, shall pay enterprise income tax on their income derived from within China at a tax rate of 20%.

Announcement on the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households and Announcement on Relevant Tax Policies for Further Supporting the Development of Micro and Small-Sized Enterprises and Individually Owned Business

According to the Announcement on the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households (《關於小微企業和個體工商戶所得稅優惠政策的公告》) promulgated by the MOF and the STA on March 26, 2023, the annual taxable income of a small low-profit enterprise that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20% and the Announcement shall remain effect for a period from January 1, 2023 to December 31, 2024. According to the Announcement on Relevant Tax Policies for Further Supporting the Development of Micro and Small-Sized Enterprises and Individually Owned Business (《關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》) promulgated by the MOF and the STA on August 2, 2023, the policy of computing taxable income amount at a reduced rate of 25% for small enterprises with meager profit and paying corporate income tax at a tax rate of 20% continues to apply until December 31, 2027.

Notice of the STA on Issues Relating to the Implementation of Dividend Clauses in Tax Treaties

Issued and implemented by the STA on February 20, 2009, the Notice of the STA on Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) stipulates that when a Chinese resident company pays dividends to a resident of a tax treaty counterpart, and the recipient (or the beneficiary of the dividends) is the beneficial owner of the dividends, the recipient is entitled to the preferential treatment under the tax treaty, i.e., the income tax in China is calculated at the rate specified in the tax treaty in China. If the treaty rate is higher than the domestic tax rate of China, the taxpayer may still be taxed according to Chinese domestic tax laws. If the resident of a tax treaty counterpart directly

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owns a certain percentage of the capital (generally 25% or 10%) of the Chinese resident company paying the dividends, the dividends received by the resident of a tax treaty counterpart will be taxed at the treaty-specified rate.

Announcement of the STA on Issues Relating to the “Beneficial Owner” in Tax Treaties

Published by the STA on February 3, 2018, and implemented on April 1, 2018, the Announcement of the STA on Issues Relating to the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) defines the “beneficial owner” in the dividend, interest and royalties articles of double taxation avoidance agreements signed by the PRC government as a person who has ownership and control over the income or the rights or property from which the income is derived. The determination of the status of a “beneficial owner” who is a resident of a treaty counterpart seeking treaty benefits should be made based on the factors listed in the Announcement, combined with a comprehensive analysis of the specific circumstances of each case.

Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits

Issued by the STA on October 14, 2019, and implemented on January 1, 2020, the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》) state that non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of “self-assessment, declaration of entitlement, and retention of relevant materials for future inspection.” A non-resident taxpayer who determines that he or she meets the conditions for enjoying treaty benefits may enjoy such benefits at the time of tax declaration or through the withholding agent at the time of withholding declaration. Non-resident taxpayers should also collect and retain relevant materials according to the provisions of the Administrative Measures and accept subsequent management by the tax authorities.

Protocol V to the Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income

The Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《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》) was signed by the Chinese Mainland and the Hong Kong Special Administrative Region on August 21, 2006 and implemented on December 8, 2006. The Protocol V to the Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<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>第五議定書》) was formally signed in

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Beijing on July 19, 2019 and came into effect on December 6, 2019. Pursuant to these provisions, where a Hong Kong resident enterprise directly holds at least 25% of the capital of a Chinese Mainland resident enterprise, the tax rate on dividends paid by the Chinese Mainland resident enterprise to the Hong Kong resident enterprise shall be 5% of the total dividend amount. In all other cases, the tax rate shall be 10% of the total dividend amount.

Provisional Regulations of the PRC on Value-Added Tax, Implementation Rules for the Provisional Regulations of the PRC on Value-added Tax, and Notice on the Adjustment to VAT Rates and Announcement on Policies for Deepening Value-Added Tax Reform

The Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993, implemented on January 1, 1994, and latest revised and implemented on November 19, 2017. The Implementation Rules for the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) were promulgated by the MOF on December 25, 1993, latest revised on October 28, 2011, and effective from November 1, 2011. The Notice of the MOF and the STA on the Adjustment to VAT Rates (《財政局、國家稅務總局關於調整增值稅稅率的通知》) was promulgated on April 4, 2018 and implemented on May 1, 2018. The Announcement on Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), was issued by the MOF, the STA, and the General Administration of Customs on March 20, 2019 and implemented on April 1, 2019. Pursuant to these regulations, rules, notices, and announcements, all enterprises and individuals engaged in the sale of goods, provision of processing, repair, and replacement services, sale of services, intangible assets, real estate, and importation of goods in China are liable for Value-Added Tax. Since April 1, 2019, the general applicable VAT rates are 13%, 9%, 6%, and 0%, while the VAT rate applicable to small-scale taxpayers is 3%.

Announcement on the Weighted VAT Deduction Policy for Advanced Manufacturing Enterprises

According to the Announcement on the Weighted VAT Deduction Policy for Advanced Manufacturing Enterprises (《關於先進製造業企業增值稅加計抵減政策的公告》), which was promulgated by the MOF and the STA on September 3, 2023 and came into effect on January 1, 2023, advanced manufacturing enterprises are allowed to deduct weighted 5% of the current deductible input tax amount from the VAT payable from January 1, 2023 to December 31, 2027.

Value-added Tax Law of the PRC

On December 25, 2024, the SCNPC promulgated the Value-added Tax Law of the PRC (《中華人民共和國增值稅法》), which will come into effective on January 1, 2026, and replace the Provisional Regulations on Value-added Tax of the PRC.

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Laws and Regulations Relating to Environmental Protection

Environmental Protection Law of the PRC and Law on Environmental Impact Assessment of the PRC

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) was promulgated and implemented by the SCNPC on September 13, 1979, latest revised on April 24, 2014, and implemented on January 1, 2015. The Law on Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》), was promulgated by the SCNPC on October 28, 2002, and implemented on September 1, 2003. It was latest revised and implemented on December 29, 2018. According to these laws, the state implements a categorized management system for environmental impact assessments of construction projects. The construction entity is responsible for the content and conclusions of the environmental impact assessment documents of its project. Without review and approval by the relevant authorities in accordance with the law, the construction entity shall not commence construction. The Rules on Examination and Approval of Environmental Impact Assessment Document by Ambit of Authority in relation to Construction Projects (《建設項目環境影響評價文件分級審批規定》) were initially issued by the former State Environmental Protection Administration on November 1, 2002, latest revised on January 16, 2009, and implemented on March 1, 2009. According to these provisions, for construction projects that have an impact on the environment, regardless of the investing entity, funding source, project nature, or scale of investment, the hierarchical examination and approval authority shall be determined based on the environmental impact assessment documents. Environmental protection departments at all levels are responsible for the examination and approval of environmental impact assessment documents for construction projects. The hierarchical examination and approval authority for environmental impact assessment documents of construction projects is, in principle, determined based on the approval, verification, and filing authority of the construction project, as well as the nature and extent of its environmental impact.

Regulations on the Administration of Pollutant Discharge Permits, Administrative Measures for Pollutant Discharge Licensing and Categorized Management Catalog of Pollutant Discharge Permits for Stationary Sources of Pollution (2019 Edition)

According to the Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and implemented on March 1, 2021, the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》) promulgated by the Ministry of Ecology and Environment on April 1, 2024 and implemented on July 1, 2024, and the Categorized Management Catalog of Pollutant Discharge Permits for Stationary Sources of Pollution (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) promulgated and implemented by the Ministry of Ecology and Environment on December 20, 2019, enterprises, institutions and other producers and operators that implement

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pollutant discharge permits in accordance with the law shall apply for pollutant discharge permits. Those who have not obtained a pollutant discharge permit shall not discharge pollutants. Key management of pollutant discharge permits shall be implemented for pollutant discharge entities that produce pollutants, discharge amounts or impact on the environment. Simplified management of pollutant discharge permits shall be implemented for pollutant discharge entities with little pollutant generation, discharge and impact on the environment. For pollutant discharge entities with little pollutant generation, discharge and impact on the environment, pollutant discharge registration management shall be implemented.

Laws and Regulations Relating to Production Safety

Work Safety Law of the PRC

According to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) (the “**Work Safety Law**”) promulgated by the SCNPC on June 29, 2002 and implemented on November 1, 2002, and latest revised on June 10, 2021, enterprises conducting production and business operations in the Chinese Mainland must comply with the Work Safety Law and other relevant laws and regulations concerning production safety. Production and business operators shall strengthen management, establish and improve responsibility systems and policies, enhance conditions, promote the development of work safety standards, and improve production levels to ensure their production safety. The principal responsible persons of production and business operators shall assume overall responsibility for the production safety of their respective entities. Violations of the Work Safety Law will result in the imposition of fines, suspension of production and business operations, or orders to suspend production for rectification; where serious consequences are caused, criminal liability may be pursued.

Measures for the Supervision and Administration of the “Three Simultaneities” Requirements for Safety Facilities of Construction Projects

Pursuant to the Measures for the Supervision and Administration of the “Three Simultaneities” Requirements for the Safety Facilities of Construction Projects (《建設項目安全設施“三同時”監督管理辦法》) promulgated by the former State Administration of Work Safety on April 2, 2015, and effective from May 1, 2015, the safety facilities for new, renovation, and expansion construction projects must be designed, constructed, and put into operation and use simultaneously with the main project. Enterprises are required to conduct a safety pre-assessment for the construction project, commission a preliminary design unit with the appropriate qualifications to concurrently design the safety facilities, prepare a safety design plan, submit it to the relevant work safety supervision and administration department for review and approval, and apply for acceptance inspection of the safety facilities upon completion of the project.

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Fire Control Law of the PRC and Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects

The Fire Control Law of the PRC (《中華人民共和國消防法》) was first promulgated by the SCNPC on April 29, 1998, and came into effect on September 1, 1998 and was latest revised and implemented on April 29, 2021. The Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) were first promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, latest revised on August 21, 2023, and implemented on October 30, 2023. According to the aforementioned laws and regulations, for construction projects which are completed and for which fire protection acceptance is required as stipulated by the competent housing and urban-rural development authority under the State Council, the construction entity must apply to the competent housing and urban-rural development department for fire protection acceptance. For other construction projects not covered by the preceding provision, the construction entity shall, after conducting its own acceptance, submit the relevant information to the competent housing and urban-rural development department for record-filing, and the said department shall conduct spot checks. Construction projects that are required by law to undergo fire protection acceptance are prohibited from being put into use if they have not undergone such acceptance or have failed the acceptance inspection.

Laws and Regulations Relating to Product Quality

Product Quality Law of the PRC

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), promulgated by the SCNPC on February 22, 1993, and latest amended and implemented on December 29, 2018, producers shall be responsible for the quality of the products they manufacture. The product quality shall meet the following requirements: (i) the product shall be free from any unreasonable danger endangering personal and property safety, and if there are national standards or industry standards for protecting human health and personal and property safety, the product shall meet the standards; (ii) the product shall have the performance that the product should have, except that there are defects in the performance of the product; and (iii) the product shall meet the product standards indicated on the product or its packaging, and meet the quality status indicated by product description, physical samples, etc.

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Laws and Regulations Relating to Leasing of Real Estate

Civil Code of the PRC

The Civil Code of the PRC (《中華人民共和國民法典》) (the "Civil Code") was promulgated by the NPC on May 28, 2020 and implemented on January 1, 2021. According to the Civil Code, the establishment, change, transfer and elimination of real estate rights become effective after being registered according to law. Without registration, it will not take effect, unless otherwise stipulated by law. The registration of real estate shall be handled by the registration authority where the real estate is located. A lease contract is a contract in which the lessor delivers the goods to the lessee for use or benefit from them, and the lessee pays the lease fee. The contents of the lease contract generally include the name, quantity and purpose of the leased property, the lease term, the lease fee and its payment term and method, and the maintenance of the leased property. If the parties to the lease contract fail to go through the registration formalities of the lease contract in accordance with the provisions of laws and administrative regulations, the validity of the contract will not be affected.

Administrative Measures on Leasing of Commodity Housing

The Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》) was promulgated on December 1, 2010 and implemented on February 1, 2011. According to this measure, the parties to a house lease shall conclude a lease contract according to law. The contents of the house lease contract shall be agreed by both parties.

Laws and Regulations Relating to Investment Projects

Administrative Regulations on Approval and Filing of Projects Invested by Enterprises and Administrative Measures on Approval and Filing for Enterprise Investment Projects

The Administrative Regulations on Approval and Filing of Projects Invested by Enterprises (《企業投資項目核准和備案管理條例》) was promulgated on November 30, 2016 and implemented on February 1, 2017. The Administrative Measures on Approval and Filing for Enterprise Investment Projects (《企業投資項目核准和備案管理辦法》) was promulgated on March 8, 2017 and implemented on April 8, 2017. Due to the National Development and Reform Commission's Decision on Revising Relevant Regulations and Administrative Normative Documents on Investment Management (《國家發展改革委關於修訂投資管理有關規章和行政規範性文件的決定》) was revised. According to these laws and regulations, the approval management will be implemented for projects related to national security, major productivity distribution, strategic resource development and major public interests in the province. Specific projects and approval authority shall be implemented according to the catalogue of investment projects approved by the

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government. The catalogue is put forward by the investment department of the State Council in conjunction with relevant departments of the State Council, implemented after approval by the State Council, and regularly adjusted. Unless otherwise stipulated, other projects are subject to filing management, usually according to the principle of territoriality, and the local government stipulates the filing authority and its powers. Project approval and filing are mainly handled through the national online supervision platform (“**Online Platform**”), which is jointly used by the approving authority, filing authority and other relevant departments. After the project is filed, if the project content changes significantly or the project construction is abandoned, the project unit shall promptly inform the project filing authority through the online platform and update relevant information. For projects subject to record management, the project unit shall also go through other relevant procedures according to relevant laws and regulations before starting construction.

Laws and Regulations Relating to the Import and Export of Goods

Foreign Trade Law of the PRC and Measures for the Record Registration of Foreign Trade Business Operators

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) was promulgated by the SCNPC on May 12, 1994, and implemented on July 1, 1994. It was last promulgated and implemented on December 30, 2022; the Measures for the Record Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》) were promulgated by the MOFCOM on June 25, 2004 and implemented on July 1, 2004, and were most recently promulgated and implemented on May 10, 2021. According to these laws, regulations and measures, the state allows the free import and export of goods and technologies.

Administrative Provisions of the Customs of the PRC on Record-filing of Customs Declaration Entities

The Administrative Provisions of the Customs of the PRC on Record-filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) was promulgated by the General Administration of Customs on November 19, 2021, and implemented on January 1, 2022. According to this regulation, the consignor and consignee of import and export goods and the customs declaration enterprise shall obtain the qualification of market entity when applying for filing.

Administrative Regulations of the PRC on the Import and Export of Goods

The Administrative Regulations of the PRC on the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) was promulgated by the State Council on December 10, 2001 and implemented on January 1, 2002. It was last revised on March 10, 2024 and implemented on May

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1, 2024. According to this regulation, goods that are prohibited from import shall not be imported, and goods that are prohibited from export shall not be exported. Quota management shall be implemented for restricted import goods with quantitative restrictions stipulated by the state; Other restricted import and export goods shall be subject to license management. Import and export are freely imported and exported goods without restrictions.

Law of the PRC on Import and Export Commodity Inspection and Implementing Regulations for the Law of the PRC on Import and Export Commodity Inspection

The Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) was promulgated by the SCNPC on February 21, 1989, and was most recently amended on April 29, 2021, with the amendments taking effect on the same date. The Implementing Regulations for the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》) were promulgated by the former State Administration of Import and Export Commodity Inspection on October 23, 1992, and were most recently amended by the State Council on March 29, 2022, with the amendments taking effect on May 1, 2022.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN HONG KONG

The major applicable Hong Kong laws and regulations of Hong Kong which relate to the business operations and the subsidiary incorporated in Hong Kong are set out below. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations in Hong Kong, and/or which may be important to [REDACTED].

Business

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

Section 5 of the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every person (a company or an individual) carrying on a business in Hong Kong to register with the Inland Revenue Department and obtain a business registration certificate within one month of the commencement of the business. Business registration is a process based on application and does not involve government approval. Once the requisite criteria are met, a business registration certificate will be granted. Business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong and facilitate the collection of tax from businesses in Hong Kong.

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Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong)

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) 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 under sections 6C and 6D which are issued under section 3 of the Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong).

Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong)

Pursuant to regulations 4 and 5 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), every person, including company, who imports or exports or re-exports any article other than an exempted article set out in regulation 3 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) shall lodge with the Commissioner of Customs and Excise and any Deputy or Assistant Commissioner of Customs and Excise of Hong Kong an accurate and complete import or 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 of Hong Kong may specify. Every declaration required to be lodged shall be lodged within 14 days after the importation or exportation of the article to which it relates.

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

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business.

Employment

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) regulates the general conditions of employment and matters connected therein in Hong Kong. It provides for various employment-related benefits and entitlements to employees. The Employment Ordinance (Chapter

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57 of the Laws of Hong Kong) covers a comprehensive range of employment protection and benefits for employees, including, among others, wage protection, paid annual leave, maternity protection, statutory holidays, severance payment and long service payment.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

Under Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), an employer must take all practicable steps to ensure that employees who are at least 18 but under 65 years of age and employed for 60 days or more become members of a registered scheme (except for certain exempt persons) within the first 60 days of employment.

It is also mandatory for an employer to make mandatory contributions to the mandatory provident fund scheme. For each contribution period occurring after that commencement (i) from the employer’s own funds, contribute to the relevant registered scheme the amount determined in accordance with Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong); and (ii) deduct from the employee’s relevant income for that period as a contribution by the employee to that scheme the amount determined in accordance with Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

Employee’s Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employee’s Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) provides that an employer is liable for any personal injury by accident arising out of and in the course of the employment to the employee in accordance with the Employee’s Compensation Ordinance (Chapter 282 of the Laws of Hong Kong).

It further provides that no employer shall employ any employee in the any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for more than the specified amount in respect of the liability of the employer.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides the wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the statutory minimum wage rate. The statutory minimum wage with effect from 1 May 2025 is HK\$42.1 per hour and it applies to all employees being engaged under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), except those employed as domestic workers in, or in connection with, a household and who dwell in that household free of charge, student interns and work experience students during a period of exempt student employment.

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FINAL RULE BY THE U.S. DEPARTMENT OF THE TREASURY

On October 28, 2024, the U.S. Department of the Treasury (the “**Department of Treasury**”) issued the “Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern” (the “**Final Rule**”) to implement an outbound investment program that restricts investments by U.S. persons and U.S.-controlled entities imposed by Executive Order 14105, “Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern”. The Final Rule became effective on January 2, 2025.

Application Scope of the Final Rule

The Final Rule applies to investments by U.S. persons as to “covered transactions” involving “covered foreign person” associated with a “country of concern” in “covered activities.”

- “Covered activities” include activities in (1) semiconductors and microelectronics sectors, (2) quantum information technologies sectors and (3) artificial intelligence sectors that pertain to national security technologies and products.
- “Covered transactions” under the Final Rule include (1) acquisition of equity (including purchases of shares in an initial public offering) or contingent equity, (2) debt financing, (3) conversion of contingent equity interest, (4) greenfield and brownfield investments, (5) joint ventures, and (6) investments made as a limited partner.
- “Covered foreign person” means (1) a person of a country of concern who or who is engaged in activities involving one or more of the three sectors of semiconductors and microelectronics, quantum information technologies, and artificial intelligence, and (2) a person that directly or indirectly holds a board seat on, a voting or equity interest in, or any contractual power to direct the management or policies of a person of a country of concern.
- “Country of concern” for now is the People’s Republic of China, including Hong Kong and Macau.

Major Components of the Final Rule

Under the Final Rule, a “covered transaction” may be a “prohibited transaction” which is outright prohibited or a “notifiable transaction” which are subject to notification requirements. In addition, certain transactions that would have been considered prohibited or notifiable transactions

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may be exempted from the prohibition or notification requirements and may be considered an “excepted transaction” under the Final Rule if certain conditions are met. Details of the prohibited transactions, notifiable transactions and excepted transactions are set forth below.

Prohibited Transactions

Prohibited transactions refer to the prohibition on certain U.S. investments in a covered foreign person engaged in covered activities pertaining to specified categories of advanced technologies and products. A U.S. person may not engage in such transaction unless an exemption for that transaction has been granted. For instance, investments by U.S. persons in covered foreign persons engaged in the following activities in the semiconductor industry reach the threshold for “prohibited transactions” under the Final Rule:

- Developing or producing any electronic design automation software for the design of integrated circuits or advanced packaging;
- Developing or producing specified front-end semiconductor fabrication equipment, equipment for performing volume advanced packaging, or commodity, material, software, or technology designed exclusively for use in or with extreme ultraviolet lithography fabrication equipment;
- Designing integrated circuits that meet or exceed the performance parameters listed in ECCN 3A090.a (under the EAR), or integrated circuits for operation at or below 4.5 Kelvin;
- Fabricating certain advanced integrated circuits with specified parameters; or
- Packaging any integrated circuit using advanced packaging techniques.

Notifiable Transactions

Notifiable transactions refer to the transactions where the business activities conducted by a covered foreign person do not reach the threshold for prohibited transactions but still require notification by a U.S. person of their transactions to the Department of Treasury. For instance, transactions are notifiable if the covered foreign person in the semiconductor sector is engaged in the design, fabrication and packaging of ICs that do not meet the specific threshold mentioned above. A U.S. person shall file a notification of their covered transactions with the Department of Treasury.

REGULATORY OVERVIEW

Excepted Transactions

The Final Rule provided certain categories of excepted transactions from coverage, provided that such transactions did not afford the U.S. person certain rights beyond standard minority shareholder protection. Excepted transactions include (1) investments in publicly traded securities, (2) securities issued by investment companies, (3) certain limited partner or equivalent investments, (4) derivatives, (5) full buyouts from a person of a country of concern, (6) intracompany transactions, (7) certain syndicated debt financings, (8) equity-based compensation, and (9) certain transactions involving a person of a country or territory outside of the U.S. based on a determination by the U.S. Secretary of the Treasury.

Notably, under the Final Rule, the “publicly traded security” exception exempts the investments in publicly traded securities of covered foreign persons. However, any acquisition of an equity interest in a covered foreign person that is not yet publicly traded for the purpose of facilitating an initial public offering would not be an excepted transaction of the Final Rule.