We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarises PRC laws and regulations that we believe are relevant to our business and operations in the PRC.

PRINCIPAL REGULATORY PROVISIONS

The Company Law of the PRC

The Company Law of the PRC (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 29 December 1993, last amended on 29 December 2023 and became effective on 1 July 2024, provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises in the PRC. The Company Law of the PRC is enacted for the purposes of regulating the organisation and activities of companies, protecting the legitimate rights and interests of companies, shareholders, employees and creditors, maintaining the social economic order, and promoting the development of the socialist market economy. It stipulates that a limited liability company shall prepare a shareholders' register, which shall record (i) the name and address of each shareholder; (ii) the amounts of subscribed and paid-in capital contribution and the form and date of capital contribution of each shareholder; (iii) the serial number of each capital contribution certificate; and (iv) dates of acquiring or losing a shareholder status. Shareholders recorded in the shareholders' register may, pursuant to the shareholders' register, claim and exercise shareholders' rights. A company shall register the name of each shareholder and the shareholder's capital contribution at the company registration authority and shall carry out amendment of the registration for any change of the registration details. Any detail which shall be registered but fails to be amended or registered shall not be valid against any third-party. The latest amendments involve perfecting the company's capital system, improving the company's establishment and exit system, optimising the company's organisational structure and strengthening the responsibilities of controlling shareholders and management personnel, etc.

Laws and Regulations on Foreign Investment

Since 1 January 2020, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), promulgated by the National People's Congress (the "**NPC**") has come into effect. The Sino-Foreign Equity Joint Ventures Law of the PRC (《中華人民共和國中外合資經營企業法》), the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》) and the Sino-Foreign Cooperative Joint Ventures Law of the PRC (《中華人民共和國中外合作經營企業法》) were abolished at the same time. Since then, the Foreign Investment Law has become the basic law regulating foreign-invested enterprises wholly or partially invested by foreign investors. While the organisation form, institutional framework and standard of conduct of foreign-invested enterprises shall be subject to the provisions of the Company Law of the PRC and other relevant laws. Pursuant to the Foreign Investment Law, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment and shall give national treatment to foreign investment beyond the negative list.

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》) have been in force since 1 January 2020. These regulations further elaborate on the relevant provisions in the Foreign Investment Law. Specifically, they supplement the specific implementation details of the foreign investment security review system, such as clarifying the procedures of the security review and the responsibilities of the review agencies. At the same time, more practical provisions have been made for the implementation of the negative list management system and the foreign investment information reporting system.

The foreign investment information reporting is subject to the Foreign Investment Information Reporting Method (《外商投資信息報告辦法》) jointly developed by the Ministry of Commerce of the PRC (the "**MOFCOM**") and the State Administration for Market Regulation (the "**SAMR**"), which came into effect on 1 January 2020. According to the Foreign Investment Information Reporting Method, where a foreign investor who directly or indirectly carry out investment activities in China, the foreign investor or its foreign-invested enterprise shall submit investment information to the competent commercial department through the enterprise registration system and the National Enterprise Credit Information Publicity System and the reporting scenarios include initial reports, change reports, deregistration reports, and annual reports.

On 6 September 2024, the MOFCOM and the National Development and Reform Commission (the "**NDRC**") promulgated the Special Management Measures for the Market Entry of Foreign Investment (2024 Version) (the "**Negative List**") (《外商投資准入特別管理措施 (負面清單)》(2024年版)), which took effect from 1 November 2024. The Negative List sets out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 11 industries, the restriction measures for foreign investment in the manufacturing industry have been completely lifted, achieving a "zero" status. any field not included in the Negative List shall be administered under the principle of equal treatment for both domestic and foreign investment.

Laws and Regulations Relating to E-Commerce

According to the E-Commerce Law of the PRC (《中華人民共和國電子商務法》) which was promulgated by the SCNPC on 31 August 2018 and became effective on 1 January 2019, e-commerce operators refer to natural persons, legal persons or organisations without the status of legal person that engage in business activities of selling commodities or offering services through the internet or any other information networks, including e-commerce platform operators, intra-platform business operators and other e-commerce operators that sell commodities or offer services through a self-built website or other network services. Intra-platform business operators shall mean e-commerce business operators selling goods or providing services through an e-commerce platform. An e-commerce operator shall, in business operation, abide by the principles of voluntariness, equality, fairness and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for the quality of products or services and accept the supervision by the government and the public. E-commerce operators shall complete the market entity registration (unless no such registration is required by laws and administrative regulations) and obtain the relevant administrative licences for conducting those operational activities which are required by law. Commodities sold or services offered by e-commerce operators shall meet the requirements for protecting personal and property safety and for environmental protection, and e-commerce operators shall not sell or provide any commodity or service prohibited by laws and administrative regulations.

Laws and Regulations on Advertisements

The Advertising Law of the People's Republic of China (中華人民共和國廣告法) was promulgated in 1994 and amended for the second time in 2021. This law mainly regulates advertising activities to ensure that advertisements are true, legal and protect the legitimate rights and interests of consumers. It clarifies the responsibilities of advertisers, advertising operators, advertising publishers and advertising spokespersons. Advertising content must be true and legal and must not contain false or misleading content. Advertising spokespersons cannot recommend or prove goods they have not used or services they have not received. In 2023, the State Administration for Market Regulation adopted and issued the Administrative Measures for Internet Advertising (互聯網廣告管理辦法). This measure mainly regulates Internet advertising activities, clarifies the definition and scope of Internet advertising, and standardises Internet advertising behaviours. Internet advertising should be identifiable so that consumers can distinguish advertising from non-advertising content. Making specific provisions for special forms of advertising such as pop-up ads and search ads. If live streaming marketers recommend and prove goods and services in their own names or images and constitute advertising endorsements, they shall assume the responsibilities and obligations of advertising spokespersons in accordance with the law.

Regulations on Online Transactions

The Measures for the Supervision and Administration of Online Transactions (網絡交易監督管理辦法) implemented in 2021 and revised in 2025 mainly regulates online transaction behaviours. It clarifies the registration obligations and information publicity requirements of online transaction operators. The responsibilities of online trading platforms are stipulated, including the management of operators within the platform and the protection of consumer rights and interests. The implementation of this measure further standardises the order of the online transaction market and protects the legitimate rights and interests of consumers.

Regulations on Online Live-Streaming

The Administrative Measures for Online Live-Streaming Marketing (for Trial Implementation) (網絡直播營銷管理辦法(試行)) was promulgated and implemented in 2021. It mainly regulates network live streaming marketing activities. It clarifies the responsibilities and obligations of subjects such as live streaming marketing platforms, live stream room operators and live streaming marketers. It requires live streaming marketing platforms to establish and improve management mechanisms and review and manage live streaming content. Live streaming marketers should abide by laws and regulations and must not engage in false publicity and other behaviours.

The Opinions on Further Regulating the Profit-Making Behaviour of Network Live Streaming and Promoting the Healthy Development of the Industry (關於進一步規範網絡直播營利行為促進行業健康發展的意見) released in 2022 mainly regulates the profit-making behaviour of network live streaming. It clarifies the responsibilities of subjects such as network live streaming platforms, brokerage agencies and anchors in profit-making activities. It requires strengthening the management of profit-making behaviours such as live streaming with goods, standardising tax collection and management, and cracking down on tax evasion. The Guiding Opinions of State Administration for Market Regulation on Strengthening the Regulation of Online Live-streaming Marketing Activities (市場監管總局關於加強網絡直播營銷活動監管的指導意見) released in 2020 mainly regulates the supervision of network live streaming marketing activities. It clarifies the regulatory responsibilities of market supervision departments in network live streaming marketing activities and requires strengthening supervision over commodity quality, advertising promotion, consumer rights and interests' protection.

Laws and Regulations on Internet Information Security and Privacy Protection

Regulations on Internet information security

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

On 7 November 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "Cybersecurity Law"), which became effective on 1 June 2017 and is applied to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. According to the Cybersecurity Law, network operators shall comply with laws and regulations and fulfil the obligations to safeguard the security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures in accordance with the mandatory requirements of laws, regulations and national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities committed on the network, and maintain the integrity, confidentiality and availability of network data, and network operators shall not collect the personal information irrelevant to the services provided, or collect or use the personal information in violation of the provisions of laws or agreements between both parties.

On 10 June 2021, the SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》) (the "Data Security Law"), which became effective on 1 September 2021. The Data Security Law mainly sets forth specific provisions regarding the establishment of basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency response system. In addition, the Data Security Law clarifies the data security protection obligations of organisations and individuals carrying out data processing activities and requires the processor of important data to implement data security protection responsibilities.

On 24 September 2024, the State Council issued the Regulation on Network Data Security Management (《網絡數據安全管理條例》), which became effective on 1 January 2025, aiming to standardise network data processing activities and safeguard security and rights. It covers general provisions, general regulations, personal information protection, important data security, cross-border security management, platform obligations, supervision and management, legal liabilities, and supplementary provisions. It clarifies the security responsibilities of data processors, emphasises the protection of personal information and important data, regulates cross-border data flows, stipulates the responsibilities of platforms, strengthens supervision and management, and pursues legal liabilities.

On 28 December 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "Cybersecurity Review Measures"), which became effective on 15 February 2022. The Cybersecurity Review Measures provides that, among others, (i) critical information infrastructure operators that purchase network products and services or network platform operators that engage in data processing activities that affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; (ii) network platform operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office; and (iii) the Cybersecurity Review Office may initiate cybersecurity review upon approval by the Central Cyberspace Affairs Commission, if members of the cybersecurity review working mechanism determine that the enterprise's network products or services, or data processing activities affect or may affect national security.

According to the Security Protection Regulations for Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which was promulgated by the State Council on 30 July 2021 and became effective on 1 September 2021, critical information infrastructure refers to the important network facilities and information systems in important industries and fields such as public telecommunications, information services, energy, transportation, water conservancy, finance, public services, e-government and national defense science, technology and industry, as well as other important network facilities and information systems which, in case of destruction, loss of function or leak of data, may result in serious damage to national security, the national economy and the people's livelihood and public interests. The competent authorities and supervisory authorities of the abovementioned important industries and fields are the authorities responsible for the security protection of critical information infrastructure. As at the Latest Practicable Date, we have not received notice from any competent authority identifying us as a critical information infrastructure operator nor received any sanctions or investigations in this regard.

In addition, we rely on the third-party e-commerce platform for online sales currently. After consumers place orders through the e-commerce platform, the e-commerce platform will transcode and desensitise the personal data. We may only know the receiving address but cannot obtain the name, telephone number and other personal information of the consignee, and the desensitised personal information will not be stored by us.

Laws and Regulations on Privacy protection

Pursuant to the PRC Civil Code (《中華人民共和國民法典》), personal information of a natural person shall be protected by the law. Any organisation or individual that needs to obtain personal information of the others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of the others, or illegally purchase or sell, provide, or make public personal information of the others.

Further, the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), which was issued by the SCNPC on 29 August 2015 and became effective on 1 November 2015, stipulates that any network service provider that fails to fulfil the obligations related to information network security management as required by applicable laws and administrative regulations and refuses to take corrective measures after being ordered by the regulatory authority to take correction measures, will be subject to criminal liability for causing (i) any large-scale dissemination of illegal information; (ii) any severe effect due to the leakage of users' information; (iii) the loss of evidence of criminal case, with serious circumstances; or (iv) other severe situations. In addition, any individual or entity that (a) illegally sells or provides personal information to the others or (b) illegally obtains any personal information by stealing or other methods will be subject to criminal liability in severe situations.

On 20 August 2021, the SCNPC promulgated the Personal Information Protection Law of PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), which became effective on 1 November 2021. Pursuant to the Personal Information Protection Law, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors shall truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (i) the name and contact information of the personal information processor; (ii) purpose of processing personal information, processing method, type of personal information processed, and retention period; (iii) methods and procedures for individuals to exercise their rights under the Personal Information Protection Law; and (iv) other matters that shall be notified as required by laws and administrative regulations. Based on the processing purposes and processing methods of personal information, types of personal information, impacts on personal rights and interests, and possible security risk, etc., personal information processors shall also take the following measures to ensure that personal information processing activities comply with laws and administrative regulations and to prevent unauthorised access and personal information leakage, tampering, and loss: (i) formulating internal management systems and operating procedures; (ii) implementing classified management of personal information; (iii) adopting corresponding security technical measures such as encryption and de-identification; (iv) reasonably determining the operating authority for personal information processing, and regularly conduct safety education and training for practitioners; (v) formulating and organising the implementation of emergency plans for personal information security incidents; and (vi) other measures stipulated by laws and administrative regulations.

Where personal information is processed in violation of the provisions of the Personal Information Protection Law, or the processing of personal information fails to fulfil the personal information protection obligations thereunder, the department performing personal information protection duties shall order corrections, give warnings, confiscate illegal gains, and order to suspend or terminate the provision of services by the applications that illegally process personal information; if the personal information processor refuses to make corrections, a fine of not more than RMB1 million shall be imposed; the directly responsible person in charge and other directly responsible personnel shall be fined for not less than RMB10,000 but not more than RMB100,000. For any aforesaid illegal act with serious circumstances, the department performing personal information protection duties at or above the provincial level shall order the personal information processor to make corrections, confiscate the illegal gains, impose a fine of not more than RMB50 million or not more than 5% of the previous year's turnover, order the suspension of relevant business or suspend business for rectification and notify the relevant competent authority to revoke the relevant permits or business license; impose a fine of not less than RMB100,000 but not more than RMB1 million on the directly responsible person in charge and other directly responsible personnel, and may decide to prohibit them from serving as a director, supervisor, senior management and person in charge of personal information protection of related companies within a certain period of time.

Laws and Regulations Relating to Consumer Rights Protection

Our business is subject to a variety of consumer protection laws, including the PRC Consumer Rights and Interests Protection Law (《中華人民共和國消費者權益保護法》) came into effect on 1 January 1994, as last amended in October 2013 and the latest amendment became effective on 15 March 2014, which imposes stringent requirements and obligations on business operators. A business operator providing goods or services that cause consumers to suffer property damages shall bear civil liability such as repair, redo, replacement, return of goods, making up the quantity of goods, refund of purchase price and service fees or compensation of losses, etc. Failure to comply with these consumer protection laws could subject business operators to administrative sanctions, such as the issuance of a warning, confiscation of illegal income, imposition of fines, an order to cease business operations, revocation of business licences, as well as potential civil or criminal liabilities. According to the Measures for Penalties for Infringement upon Rights and Interests of Consumers (Revised in 2020) (《侵害消費者權益行為處罰辦法》(2020修訂)), market regulatory authorities shall, pursuant to the PRC Consumer Rights and Interests Protection Law and related laws and regulations and these measures, protect the rights and interests of consumers to purchase and use goods or receive services for daily needs, and impose administrative penalties for infringement upon rights and interests of consumers by business operators.

Regulations Related to Disinfection Hygienic Products

According to the Hygiene License Regulations for Disinfection Product Production Enterprises (《消毒產品生產企業衛生許可規定》) (the "Hygiene License Regulation") which was promulgated by the Ministry of Health (has been revoked) on 16 November 2009 and partially amended on 12 February 2010, enterprises who engaged in the production and packaging of disinfection products in the PRC must apply for the Hygiene License for Disinfection Product Production Enterprises (the "**Hygiene License**") in accordance with the requirements of the Hygiene License Regulation. Disinfection product production enterprises shall engage in production activities in accordance with the approved content and shall only produce disinfection products that fall within the approval scope of the Hygiene license, and shall not change the approved production methods, production items, production categories, production processes, and production workshop layout without authorisation.

After obtaining the Hygiene license, if there are changes in the approved production method, production item, or production category, an application for change shall be submitted to the provincial health administrative department. If there are changes in the approved production process or workshop layout, new production process flow diagrams or workshop layout diagrams shall be submitted to the provincial health administrative department and shall be included in the original document, as they meet the requirements after review.

Regulations Related to Administration of Medical Devices

According to the Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), which was promulgated on 4 January 2000, last amended on 6 December 2024 and became effective on 20 January 2025, and the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》) promulgated on 10 March 2022 and became effective from 1 May 2022, and the Administrative Measures for the Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》) promulgated by the SAMR and took effect on 1 October 2021, the state adopts classified administration for medical devices according to the degree of risk of such devices. Class I medical devices are subject to record-filing administration, and Class II and Class III medical devices are subject to registration administration. According to the Measures for the Supervision and Administration of Medical Device Manufacture (《醫療器械生產監督管理辦法》) which was promulgated on 10 March 2022 and became effective on 1 May 2022, those engaged in the manufacture of Class I medical devices shall go through the record-filing formalities for the manufacture of medical devices with the local drug regulatory authority at the level of city divided into districts. Meanwhile, the relevant departments will conduct supervision and inspection of production activities to ensure product quality and production compliance.

According to the Administration and Supervision Measures of Online Sales of Medical Devices (《醫療器械網絡銷售監督管理辦法》), which became effective on 1 March 2018, enterprises engaged in online sales of medical devices must be medical device manufacture and operation enterprises with medical devices production licences or operation licences or have been filed for record in accordance with laws and regulations, unless such licences or record-filing is not required by laws and regulations.

As at the Latest Practicable Date, the medical device products produced and sold by us are Class I medical devices, we have obtained the filing certificate for such medical devices and have fulfilled the record-filling formalities for the manufacture of the same, and the filing certificate obtained are legal and valid. The Good Supply Practise for Medical Devices (《醫療器械經營質量管理規範》) has been implemented since 1 July 2024. The main content includes the establishment and improvement of the quality management system for medical devices, aiming to strengthen the quality management of operation, standardise the business behaviour, and ensure the safety and effectiveness of medical devices used by the public.

Laws and Regulations on Product Quality and Safety Production

Product Quality Law of the PRC

Manufacturers and vendors of defective products in the PRC may incur liability for losses and injuries caused by such products. Under the Civil Code of the PRC (《中華人民共和國民法典》), which became effective on 1 January 2021, manufacturers or retailers of defective products that cause property damage or physical injury to any person will be subject to civil liability.

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (《中華人民共和國產品質量法》)(the "**Product Quality Law**"), which was promulgated by the SCNPC on 22 February 1993, became effective on 1 September 1993 and last amended and the latest amendment became effective on 29 December 2018. The Product Quality Law is applicable to all production and sale activities of any product within the territory of the PRC. The producers and sellers shall develop and improve the internal product quality management system, and rigorously implement quality standards, quality liabilities and relevant assessment measures for each position. Quality of products shall pass standard examinations and no sub-standard products shall be used as standard ones. Producers and sellers shall be responsible for the quality of their products and assume product quality liabilities in accordance with the requirements of such law.

Safety Production Law of the PRC

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

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated by the SCNPC on 29 June 2002 and last amended on 10 June 2021 and the latest amendment came into effect on 1 September 2021, an enterprise shall (i) provide production safety conditions as stipulated in the Production Safety Law of the PRC and other relevant laws, administrative regulations, national and industry standards, (ii) establish a comprehensive production safety accountability system and production safety rules, and (iii) develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities. The person-in-charge of an enterprise shall be fully responsible for the safety of production of the enterprise. An enterprise having more than 100 employees shall establish a production safety management institution or be equipped with dedicated production safety management personnel. Personnel who is responsible for managing production safety shall inspect the safety of production regularly based on the characteristics of production of the enterprise and shall deal with any safety issue identified during the inspection immediately. Any unsolved issue shall be reported to the person-in-charge in a timely manner and the person-in-charge shall solve such issue in a timely manner. Enterprises and institutions shall provide their employees with training on production safety and shall truthfully inform their employees of any potential risks in relation to the workplace and duties, preventive measures and emergency measures. In addition, an enterprise shall provide its employees with personal protective equipment that meets the national or industry standards and supervise and train them to use such equipment.

According to the Measures for the Supervision and Administration of "Three Simultaneities" 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 (currently known as the Ministry of Emergency Management) on 14 December 2010 and amended on 2 April 2015, the safety facilities in a newly built, reconstructed or expanded construction project must be designed, constructed and put into use simultaneously with the main body of the project. The enterprises shall carry out comprehensive analysis on work safety conditions and facilities of construction projects or pre-assess the safety conditions of its construction projects, prepare a dedicated safety design report or prepare a written report for inspection. If an enterprise violates the relevant requirements, it may be ordered to make corrections within a specified time limit, discontinue the construction process or suspend its production and business operation for rectification, and imposed a fine.

Laws and Regulations on Intellectual Properties

Patent

Patents in the PRC are mainly protected by the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the SCNPC on 12 March 1984, last amended on 17 October 2020 and became effective on 1 June 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), which were promulgated by the State Council on 21 December 1992 and last amended on 11 December 2023 and became effective on 20 January 2024. The Patent Law of the PRC and its Implementation Rules provide for three types of patents, "invention", "utility model" and "design". "Invention" refers to any new technical solution relating to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and "design" refers to any new design of the shape, pattern, colour or the combination of any two of them, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for "invention" is 20 years, the duration of a patent right for "utility model" is 10 years, and the duration of a patent right for "design" is 15 years, all starting from the date of application.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on 23 August 1982, last amended on 23 April 2019 and became effective on 1 November 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry if the registrant needs to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be cancelled. Industrial and commercial administrative authorities have the authority to investigate any behaviour in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offence, the case shall be timely referred to a judicial authority and decided in accordance with applicable laws. Where another party is licenced to use a registered trademark, the licenser shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it. An unrecorded license may not be used as a defense against a third party in good faith.

Copyright

Copyright in the PRC is primarily protected by the Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on 7 September 1990, last amended on 11 November 2020 and became effective on 1 June 2021, and Implementation Regulations of the Copyright Law of PRC (《中華人民共和國著作權法實施條例》), which was promulgated by the State Council on 30 May 1991 and last amended on 30 January 2013. These laws and regulations provide provisions on the classification of works and the obtaining and protection of copyright. Pursuant to the Copyright Law of the PRC and its implementation regulations, Chinese citizens, legal persons, or unincorporated organisations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, architecture, photography, graphic, model and computer software. Any person, who concludes an exclusive licencing contract or assignment contract with a copyright owner, may submit, for filing, to the copyright administrative department.

Laws Related to Trade Secret

The PRC Civil Code (《中華人民共和國民法典》) recognise trade secrets as one the objects of intellectual property rights enjoyed by right holders. Pursuant to the PRC Civil Code, a trade secret or any other confidential information that the parties have learned in contracting shall not be disclosed or improperly used, no matter the contract is formed or not; and if the party discloses or improperly uses such trade secret or information, causing loss to the other party, it shall be liable in damages. According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), promulgated by the SCNPC in September 1993 and last amended on 23 April 2019, the term "trade secrets" refers to technical, operational or other commercial information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and has been subject to confidentiality measures by its legal owners or holders. Under the Anti-Unfair Competition Law of the PRC, business persons are prohibited from infringing on others' trade secrets by: (1) acquiring a trade secret from the right holder by theft, bribery, fraud, coercion, electronic intrusion, or any other improper means; (2) disclosing, using, or allowing another person to use a trade secret acquired from the right holder by any means as specified in the item (1) above; (3) disclosing, using, or allowing another person use a trade secret in its possession, in violation of its confidentiality obligation or the requirements of the right holder for keeping the trade secret confidential; (4) abetting or tempting another person into acquiring, disclosing, using, or allowing another person to use the trade secret of the right holder in violation of his or her non-disclosure obligation of the requirements of the right holder for keeping the trade secret confidential. If a third party knows or should have known of the above-mentioned illegal conduct but still obtains, uses or discloses others' trade secrets, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and impose fines on the infringing parties.

Laws and Regulations on Labour Protection

Labour, Social Insurance and Housing Provident Funds

According to the Labour Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC in July 1994 and last amended and came into effect on 29 December 2018, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》),which was promulgated by the SCNPC in June 2007 and amended in December 2012 and came into effect on 1 July 2013, and the Implementing Regulations of the Labour Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council and came into effect on 18 September 2008, labour contracts in written form shall be executed to establish labour relationships between employers and employees. In addition, wages pay to the employee shall not be lower than local minimum wages standard. The employers must establish a system for labour safety and sanitation, strictly comply with national rules and standards, provide education regarding labour safety and sanitation to its employees, provide employees with labour safety and sanitation conditions and necessary protection materials in compliance with national rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010 and last amended and came into effect on 29 December 2018, and the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on 22 January 1999 and last amended on 24 March 2019, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》)(the "Housing Provident Funds Regulations"), which was promulgated by the State Council on 3 April 1999 and last amended on 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity insurance and to housing provident funds. Employers who fail to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times of the amount in arrears. With respect to companies who fails to process housing provident fund registrations or open housing provident fund accounts for their employees according to the Housing Provident Funds Regulations, such companies shall be ordered by the housing provident fund administration centre to complete such procedures within a prescribed time limit; where failing to do so by the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. In addition, employers who fail to promptly contribute housing provident fund contributions in full amount shall be ordered by the administrative centre of housing provident fund to pay the outstanding housing provident fund contributions within the time period; where payment is not made within the stipulated period, the relevant administrative authorities may apply to the PRC courts for compulsory enforcement.

According to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was promulgated by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council, from 1 January 2019, all the social insurance premiums, including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, are collected by tax authorities.

According to the Notice by the General Office of the State Administration of Taxation (the "**SAT**") on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady Orderly and Effective Manner (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) issued on 13 September 2018 and the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilising the Collection of Social Security Contributions (《人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) issued on 21 September 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. The Notice by the SAT on Implementing Measures on Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》), which was promulgated by the SAT on 16 November 2018, repeats that tax authorities at all levels shall not organise self-collection of arrears of taxpayers including private enterprises in the previous years.

The Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》), which was promulgated by the SCNPC on 27 October 2001 and latest amended on 29 December 2018 (the "**Prevention and Control of Occupational Diseases Law**"), is the basic law for the prevention and control of occupational diseases. According to the Prevention and Control of Occupational Diseases Law, if a new construction, an expansion, or a reconstruction project or a technical transformation or technology introduction project may cause any occupational hazards, the construction entity shall conduct the pre-assessment of occupational hazards at the feasibility study stage. The budget for facilities for the prevention and control of occupational diseases of a construction project shall be included in the budget of the project and those facilities shall be designed, constructed and put into operation simultaneously as the main body of the project. The construction entity should carry out the assessment of the effectiveness of measures for the prevention and control of occupational diseases before the final acceptance of the construction project. In addition, employers shall take required administrative measures to prevent and control occupational diseases at work.

Pursuant to the Prevention and Control of Occupational Diseases Law and the Measures for the Declaration of Projects with Occupational Hazards (《職業病危害項目申報辦法》) promulgated on 27 April 2012, where hazardous factors of occupational diseases as listed in the Classification Catalogue of Occupational Hazards (《職業病危害因素分類目錄》) exist in the workplace of the employer (excluding coal mine), the employer shall timely and truthfully declare such hazardous items to the local public health authority for supervision.

Laws and Regulations Relating to Real Estate Leasing

According to the PRC Civil Code (《中華人民共和國民法典》) which took effect on 1 January 2021, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. Where the lessee subleases the premises to a third party with the consent of the lessor, and the sublease term exceeds the remaining lease term of the lessee, the agreement on the part in excess shall not be legally binding upon the lessor, unless otherwise agreed upon by the lessor and the lessee. If the parties to a lease contract fail to go through the formalities of registration of such contract in accordance with the provisions of laws and administrative regulations, the validity of the contract shall not be affected.

On 1 December 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on 1 February 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to comply with the aforementioned requirements, it may be ordered to rectify the situation within a stipulated period, and if such a company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

Laws and Regulations Environmental Protection

Environment Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated by the SCNPC on 26 December 1989, came into effect on the same day and was last amended on 24 April 2014, outlines the authorities and duties of various environmental protection regulatory agencies. The environmental protection administrative department of the State Council is authorised to issue national standards for environmental quality and pollutant emissions, and to prepare the environmental protection scheme of the PRC in conjunction with the relevant departments. Meanwhile, for matters not included in the national pollutant discharge standards, the people's government of provinces, autonomous regions, and municipalities directly under the Central Government may develop local pollutant discharge standards; and for matters included in the national pollutant discharge standards, they may formulate local standards that are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

The Administrative Measures for Pollutant Discharge Licencing (《排污許可管理辦法》), which was released by the Ministry of Ecology and Environment on 1 April 2024 and came into effect on 1 July 2024, and the Categorised Management Catalogue of Pollutant Discharge Permits for Stationary Sources of Pollution (2019 Version)(《固定污染源排污許可分類管理名錄(2019年版)》), which was announced and implemented by the Ministry of Ecology and Environment on 20 December 2019, classifies pollutant discharge entities into three categories: key management, simplified management, and registration management, based on factors such as the amount of pollutants generated, the amount of emissions, and the degree of impact on the environment, and clearly defines the management categories of various industries.

Environmental Impact Appraisal

According to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council on 29 November 1998, amended on 16 July 2017 and became effective on 1 October 2017, and the Environmental Impact Appraisal Law of PRC (《中華人民共和國環境影響評價法》), which was promulgated by the SCNPC on 28 October 2002, amended on 2 July 2016 and 29 December 2018, depending on the impact of the construction project on the environment, a construction employer shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction employer shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction employer shall not commence the construction. According to the Interim Measures for the Acceptance Inspection for Environmental Protection upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》)(the "**Interim Measures**"), which was promulgated on 20 November 2017, came into effect on the same day, the Interim Measures are applicable to construction projects for which an environmental impact report (statement) is prepared, the acceptance inspection upon completion of environmental protection facilities by a construction employer shall be carried out according to laws and regulations on environmental protection, and the relevant supervision and administration. The construction employer is the subject responsible for the acceptance inspection for environmental protection upon completion of the construction project, and shall, under the procedures and standards provided in the Interim Measures, prepare an acceptance monitoring (investigation) report, organise the acceptance inspection of the supporting environmental protection facilities completed and put forward acceptance opinions thereof. The acceptance report, including the content of the acceptance monitoring (investigation) report, the acceptance opinions and other matters to be stated, shall make public for at least 20 working days. Within 5 working days after the expiration of the publicity period of the acceptance report, the construction employer shall submit the basic information of its construction project, environmental protection facilities acceptance and other relevant information to the environment protection authority via the National Construction Project Completion Environmental Protection Acceptance Information System.

Regulations on Foreign Exchange and Taxation

Foreign Exchange

On 29 January 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in the issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On 19 November 2012, the State Administration of Foreign Exchange (the "**SAFE**") issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "**SAFE Circular 59**"), which came into effect on 17 December 2012 and was amended on 4 May 2015, 10 October 2018 and partially abolished on 30 December 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts under direct investment, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, and the reinvestment of legitimate RMB proceeds derived by foreign investors in the PRC, no longer require the approval or verification of SAFE, as well multiple capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of 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》) on 13 February 2015, which was partially abolished on 30 December 2019 and prescribed that the bank instead of SAFE can directly review and handle the foreign exchange registration under foreign direct investment and domestic direct investment, while SAFE and its branches indirectly supervise the aforesaid foreign exchange registration through the bank.

On 11 May 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the "**SAFE Circular 21**"), which became effective on 13 May 2013, amended on 10 October 2018 and partially abolished on 30 December 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

Pursuant to the Circular on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (《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》) (the "**Circular 37**") promulgated by the SAFE and became effective on 4 July 2014, a "special purpose vehicle" means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institution and domestic individual residents) for the purpose of engaging in investment and financing with the domestic enterprise assets or interests he legally holds, or with the overseas assets or interests he legally holds. And the registration for and the relevant foreign exchange administration over a special purpose vehicle established by a domestic resident shall be subject to the Circular 37. Pursuant to the Circular 37, before contributing capital to a special purpose vehicle with its legal assets or interests within or outside China, a domestic resident shall apply to the foreign exchange authority for undergoing the foreign exchange registration procedure for foreign investment. According to the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policy 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彙管理政策的通知》), all foreign exchange businesses under direct investment have been delegated to banks for handling.

Laws and Regulations on Import and Export of Goods

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on 12 May 1994 and last amended on 30 December 2022 and the "Notice by the Department of Enterprise Management and Audit-Based Control of Matters Concerning the Recordation of the Consignees and Consignors of Imported and Exported Goods" (《企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知》) issued by the General Administration of Customs of the PRC on 3 January 2023, a consignee or consignor of imported or exported goods who applies for filing shall be qualified as a market entity and is not required to be filed as a foreign trade business operator.

According to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on 22 January 1987 and last amended on 29 April 2021, unless otherwise stipulated, the declaration of imported or exported goods may be made by the consignees or the consignors, or by the entrusted customs brokers. To undergo customs declaration formalities, the consignee or consignor of imported or exported goods, or their entrusted customs brokers shall file with the Customs in accordance with the law. According to the Provisions on the Recordation of Customs Declaration Entities of the PRC (《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 19 November 2021 and executed on 1 January 2022, the consignee or consignor of imported or exported goods or a customs declaration enterprise, as filed with the customs may undergo customs declaration within the customs territory of the PRC. Where a consignee or consignor of imported or exported goods or a customs declaration enterprise applies for filing, it shall obtain the qualification of market entities.

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》) last released and implemented by the SCNPC on 29 April 2021, and the Implementation 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》) last released by the State Council on 29 March 2022 and implemented on 1 May 2022, stipulate that the General Administration of Customs is in charge of the national import and export commodity inspection work, and formulates and adjusts the catalogue of import and export commodities that must be inspected, and clarifies the scope of statutory inspection, inspection methods, etc.

Laws and Regulations on Taxation

Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) ("**the EIT Law**"), promulgated by the NPC on 16 March 2007, came into effect on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, as well as the Implementation Rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》) (the "**Implementation Rules**"), promulgated by the State Council on 6 December 2007, came into force on 1 January 2008 and last amended on 6 December 2024, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and its Implementation Rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. Non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have setup institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income is obtained outside the PRC but have an actual connection with the set-up institutions or sites. Non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites in the PRC but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

Value-Added Tax (the "VAT")

The major PRC law and regulation governing value-added tax are the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) issued on 13 December 1993 by the State Council, came into effect on 1 January 1994, and revised on 10 November 2008, 6 February 2016 and 19 November 2017, as well as the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) issued on 25 December 1993 by the Ministry of Finance (中華人民共和國財政部) (the "**MOF**"), came into effect on the same day and revised on 15 December 2008 and 28 October 2011, any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The rate of VAT for the sale of goods is 17% unless otherwise specified, such as the rate of VAT for the sale of transportation is 11%. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the STA issued the Notice of on Adjusting VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) on 4 April 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on 1 May 2018. Subsequently, the MOF, the SAT and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《財政部、國家稅務總局關於深化增值稅改革有關政策的公告》) on 20 March 2019 to make a further adjustment, which came into effect on 1 April 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

Withholding Tax on Dividend Distributions

According to the EIT Law and its Implementation Rules, the dividends distributed to investors who are non-resident enterprises (which have not established any organisation or premises in the PRC, or although they have established organisation or premises in the PRC, the income obtained has no de facto connection with such organisation or premises), to the extent of being sourced from the PRC, are subject to the withholding tax of 10% in the PRC, except for the availability of tax credit on the relevant tax under an applicable tax treaty signed between the PRC and the jurisdiction of such non-resident enterprises. Similarly, if any gain obtained by such investors from the transfer of shares is deemed to be a gain in income sourced within the PRC, such gain is taxable for PRC income tax at the tax rate of 10% (or at a lower rate under a tax treaty, if applicable).

According to the Arrangement between Mainland China 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》) effective on 8 December 2006 and amended by the Fifth Protocol to the Arrangement between the Mainland China 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》) effective on 6 December 2019, the withholding tax rate for dividends paid by a PRC enterprise to a Hong Kong enterprise shall not exceed 5% in case the Hong Kong enterprise is the beneficial owner and directly holds at least 25% of equity interests of the subject PRC enterprise. Notwithstanding the above, the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

Pursuant to the Circular of the **SAT** on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《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》) promulgated by the SAT and effective on 20 February 2009, all of the following requirements shall be satisfied where a taxable resident of the other party to a tax agreement is entitled to such tax agreement treatment to be taxed at a rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a taxable resident should be a company as provided in the tax agreement; (ii) such a taxable resident directly holds equity interests and voting shares in a Chinese resident company which is above a particular percentage; and (iii) such a taxable resident directly holds the equity interests in a Chinese resident company above a particular percentage (25% or 10%, in the normal course), at any time during the twelve months prior to the obtainment of the dividends.

Regulations on Overseas Securities Offering and Listing by Domestic Companies

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and relevant supporting guidelines, which came into effect on 31 March 2023. The Overseas Listing Trial Measures comprehensively improve and reform the existing regulatory regime for overseas securities offering and listing of PRC domestic companies and regulate both direct and indirect overseas securities offering and listing of PRC domestic companies. Any PRC domestic company that is deemed to conduct overseas securities offering and listing activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

The Overseas Listing Trial Measures provides that the overseas securities offering and listing will be considered as a direct overseas offering by a PRC domestic company if the issuer is a company limited by shares established in mainland China. In addition, the overseas securities offering and listing will be considered as an indirect overseas offering by a PRC domestic company if the issuer meets both of the following criteria: (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 mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China.

Pursuant to the Overseas Listing Trial Measures, an issuer shall file with the CSRC within three business days after its application for initial public offering is submitted to competent overseas securities regulators. As advised by our PRC Legal Advisers, our **[REDACTED]** and **[REDACTED]** is an indirect overseas securities **[REDACTED]** and **[REDACTED]** by a PRC domestic company under the Overseas Listing Trial Measures. We will comply with the filing requirements under the Overseas Listing Trial Measures and we do not fall under any of the prohibited circumstances that would disallow an overseas securities **[REDACTED]** and **[REDACTED]** as stipulated in the Overseas Listing Trial Measures up to the latest practicable date. We have submitted the filing materials to the CSRC on [•] and the CSRC officially accepted the filing materials on [•].

Besides, PRC domestic companies seeking to overseas offering and listing shall strictly comply with the laws, administrative regulations and relevant provisions of the PRC government on foreign investment, State-owned asset management, industry regulation, overseas investment, cybersecurity, data security, etc., shall not disrupt domestic market order, and shall not harm national interests, public interests and the legitimate rights and interests of domestic investors. A domestic company that conducts overseas offering and listing shall (i) formulate its articles of association, improve its internal control system and standardise its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and applicable provisions; and (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to fulfil its confidentiality responsibility, shall not divulge any state secret or the work secrets of state organs, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC if it is involved in the overseas provision of personal information and important data. In addition, the Overseas Listing Trial Measures also list out the circumstances where overseas offering and listing is explicitly prohibited, including: (i) such securities offering and listing is explicitly prohibited by specific PRC laws and regulations; (ii) overseas offering and listing may endanger national security as determined by the relevant competent department under the State Council after examination according to the Law; (iii) the PRC domestic company, or its controlling shareholder(s) and de facto controller(s), have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the last three years; (iv) the domestic company is currently under investigations for alleged criminal offences or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over the equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or de facto controller(s).

On 24 February 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance 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》) (the "**Provision on Confidentiality**"), which came into force on 31 March 2023. According to the Provision on Confidentiality, where any PRC domestic company provides or publicly discloses, either directly or through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report the same to the competent department with 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. Domestic companies providing accounting archives or copies thereof to entities and individuals including securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by securities companies and securities service institutions that provide corresponding services for domestic companies seeking overseas offering and listing shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

SANCTIONS LAWS AND REGULATIONS

United States

The Office of Foreign Assets Control ("**OFAC**") is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus.

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

OFAC's comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, the Crimea region of Russia/Ukraine, and the self-proclaimed Luhansk People's Republic ("**LPR**") and Donetsk People's Republic ("**DPR**") regions (the comprehensive OFAC sanctions programme against Sudan was terminated on October 12, 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

United Nations

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. The UNSC measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions.

European Union

Under European Union sanction measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person and not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures, provided that no funds and economic resources are made available to the Sanctioned Persons.

United Kingdom and United Kingdom overseas territories

The United Kingdom applies its own sanctions programs and has extended its autonomous sanctions regimes to apply to and in the United Kingdom overseas territories.

Australia

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

U.S. EXPORT CONTROLS

The United States has implemented and has proposed additional restrictions, some of which may impact Chinese companies, including us. The United States has increased export controls restrictions on China through the Export Administration Regulations (the "**EAR**"), administered by the Bureau of Industry and Security of the U.S. Department of Commerce (the "**BIS**"), which includes a list of foreign persons on which certain trade restrictions are imposed (the "**Entity List**"). Where a foreign person is included on the Entity List, the export, re-export and/or transfer (in-country) of items which are subject to the EAR generally is prohibited unless the specified license requirements are met.

In addition, EAR also maintains a list of items, software, and technology that are subject to export controls (the "**Commerce Control List**"). BIS can also implement unilateral licensing requirements and other controls on items subject to U.S. export controls jurisdiction that can restrict exports and reexports to certain countries, as well as transfers within a country to a different end-user or end-use. The Commerce Control List is divided into ten categories, represented by the first digit of the Export Control Classification Number ("**ECCN**"). Each ECCN is subject to the respective control(s) and licensing requirement applicable for sales to controlled countries and/or entities.

U.S. TARIFFS

On May 14, 2024, the Office of the United State Trade Representative announced a plan to raise the tariff rate applicable to U.S. imports of electric vehicles from China from 25% to 100%. On September 13, 2024, the United States Trade Representative announced the final Section 301 tariff increases on imports from China, which imposed a tariff rate of 100% effective from September 27, 2024. China responded with increased tariffs. Since February 2025, both countries raised reciprocal tariffs on each other's imported goods to 125%. However, on May 12, 2025, both the U.S. and China modified these tariff measures: the U.S. removed the 125% tariff and temporarily reduced tariffs on Chinese goods to 10% by suspending a 24% duty for 90 days. The PRC government announced the same tariff adjustments, removing the 125% retaliatory tariff and cutting tariffs on U.S. goods from 34% to 10% for the same period. On August 12, 2025, both the U.S. and China announced to extend these tariff measures for another 90 days. On November 1, 2025, the U.S. government announced that the 10% reciprocal tariff will be maintained until November 10, 2026. On February 24, 2026, through July 24, 2026. Pursuant to the Proclamation issued by President Trump, "Imposing a Temporary Import Surcharge to Address Fundamental International Payments Problems", effective from February 24, 2026, and for a period of 150 days (effective through July 24, 2026), a temporary import surcharge of 10% shall be imposed on all articles imported into the United States (so-called "section 122 tariffs"). On February 23, 2026, the U.S. Customs and Border Protection issued a message that, on or after 12:01 a.m. eastern standard time on February 24, 2026, and through 12:01 a.m. eastern daylight time on July 24, 2026, except for products described in headings HTS 9903.03.02–9903.03.11, and other than products for personal use included in accompanied baggage of persons arriving in the United States, articles the product of any country, as provided for in subdivision (aa) of U.S. note 2 to subchapter III of chapter 99 of the HTSUS, will be subject to an additional ad valorem rate of 10%.

During the Track Record Period, our exports to the U.S. represented less than 1% of our total revenue for the same period. Given that (i) the sales revenue generated from our U.S. exports is minimal (less than 1%), and (ii) we do not plan to expand its U.S. exports and sales significantly, our Directors believe that the recent changes of U.S. tariff policies have not had and will not have any material adverse impact, directly or indirectly, on our business operations and financial performance.