OVERVIEW OF THE LAWS AND REGULATIONS IN THE PRC

This section sets forth a summary of the most significant laws and regulations that are applicable to our current business activities within the territory of the PRC.

Regulations on the Integrated Circuit Industry

In June 2014, the State Council of the People's Republic of China (the "State Council") promulgated the National Guidelines for the Development and Promotion of the Integrated Circuit Industry (《國家集成電路產業發展推進綱要》), outlining the development goals for the integrated circuit industry. By 2030, key segments of the integrated circuit industry chain are expected to reach international advanced levels, with a number of enterprises entering the global first tier and achieving leapfrog development. In May 2016, the State Council promulgated the National Outline for Innovation Driven Development Strategy (《國家創新驅動發展戰略綱要》), which expressly mandates the advancement of innovation within the industrial technology system and calls for intensified efforts in the research, development, and dissemination of self-developed software and hardware including integrated circuits and industrial control systems, as well as cybersecurity technologies. In July 2020, the State Council announced Several Policies to Promote the High-quality Development of the IC Industry and the Software Sectors in the New Era (《新時期促進集成電路產業和軟件產業高質量發展的若干政策》), which are designed to further optimize the development environment of the integrated circuit industry and software sectors, deepen international cooperation in the industry, and enhance the industrial innovation capability and development quality, the policies launch a series of supporting fiscal and taxation, investment and financing, research and development, import and export, talent, intellectual property rights, market application and international cooperation policies. In December 2023, the NDRC promulgated the Industrial Structure Adjustment Guidance Catalogue (2024 Edition) (《產業結構調整指導目錄(2024年本)》), which stated integrated circuits were categorized as information industry, the 28th in the first category of Encouragement Catalogue. In May 2024, the Cyberspace Administration of the Central Committee of the Communist Party of China, the State Administration for Market Regulation, and the Ministry of Industry and Information Technology jointly issued the Action Plan for the Construction of Informatization Standards (2024-2027) (《信息化標準建設行動計劃(2024-2027年)》), which identifies key areas in integrated circuits and calls for intensified efforts in critical standard development for advanced computing chips and novel storage chips, as well as promotes the formulation of application standards for artificial intelligence chips, automotive chips, and consumer electronics chips.

Laws and Regulations relating to Foreign Investment and overseas Investment

Regulations on Corporation: The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》). The PRC Company Law generally governs two types of companies — limited liability companies and joint stock limited companies. The PRC Company Law also applies to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall prevail.

Foreign Investment Regulations: According to the PRC Foreign Investment Law (《中華人民共和國外商投資法》), foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the Negative List, which is promulgated or approved by the State Council. To ensure the effective implementation of the Foreign Investment Law, the Regulations on Implementing the Foreign Investment Law of PRC (《中華人民共和國外商投資法實施條例》) was promulgated by State Council, which further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors. The Special Administrative Measures (Negative List) stipulates that domestic enterprises engaged in business areas prohibited by the Negative List must obtain approval from relevant state authorities before conducting overseas share issuance and listing; and foreign investors are prohibited from participating in such enterprises' operation and management, and their shareholding ratios shall comply with relevant regulations on the management of foreign investors' domestic securities investment.

Overseas Investment Regulations: According to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》), which was promulgated by the NDRC on December 26, 2017 and came into effect on March 1, 2018, an enterprise in the territory of the PRC (the "**investor**") shall, in overseas investment, undergo the formalities for the confirmation or recordation, among others, of an overseas investment project (the "**project**"), report the relevant information, and cooperate in supervisory inspection. According to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》), promulgated on September 6, 2014 and effective as of October 6, 2014, the Ministry of Commerce and the commerce departments of provinces shall subject the overseas investment of enterprises to recordation or confirmation management, depending on the actual circumstances of investment. According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies for the Foreign Exchange Administration of 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》), the approval for foreign exchange registration for direct investment has been canceled. Banks are entitled to review and carry out foreign exchange registration for overseas direct investment directly. The State Administration of Foreign Exchange and its branches shall exercise indirect supervision over foreign exchange registration for overseas direct investment through banks.

Laws and Regulations on Import and Export

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), foreign trade business operators engaging in the import or export of goods or technology must go through the record filing and registration formalities with the Ministry of Commerce of the People's Republic of China or the agency entrusted by the Ministry of Commerce of the People's Republic of China. According to the Customs Law of the PRC (《中華人民共和國海關法》), the importer or exporter of import or export goods, and the Customs clearing agent shall be registered with the Customs according to law to make the Customs declarations.

Laws and Regulations Relating to Foreign Exchange

The Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) applies to the foreign exchange receipts and payments or foreign exchange business activities of domestic organizations and individuals, foreign organizations and individuals in China. It specifies that China shall not restrict international current payments and transfers. The Notice by the SAFE on Further Deepening Reforms to Promote the Facilitation of Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) stipulates that foreign exchange funds derived from the overseas listing of a domestic enterprise may be directly remitted to its capital account settlement account. Funds in the settlement account of capital accounts may be settled and used at discretion. Guidelines on Foreign Exchange Business for Capital Items (2024 Edition) (《資本項目外匯業務指引(2024年版)》) specify that the funds raised by overseas listings of domestic companies should be repatriated to China in a timely manner, and can be repatriated in RMB or foreign currency. The use of funds shall be consistent with the content listed in the relevant document and publicly disclosed documents.

Laws and Regulations Relating to Production Safety

In accordance with the provisions of the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the State implements a system of accountability for production safety accidents. Production and operation units must implement national or industry standards formulated in accordance with the law to ensure safe production, and provide safe production conditions that meet the requirements of laws, administrative rules and national or industry standards.

Laws and Regulations Relating to Production Quality

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), producers shall be responsible for the quality of their products.

Regulations Relating to Leasing

According to the Management Measures for the Lease of Commercial Housing (《商品房屋租賃管理辦法》), parties to a housing lease are required to execute a lease agreement. Within 30 days from the initial execution of a housing lease agreement, the parties to the lease shall complete lease registration and filing formalities with the relevant authorities.

Laws and Regulations relating to Intellectual Property Rights

Patent: Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) and The Implementing Regulations of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), patents in the PRC are divided into three categories: invention patents, utility model patents and design patents. The term of protection for invention patents is 20 years, for utility model patents is 10 years, and for design patents is 15 years, all calculated from the filing date.

Trademark: Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) and the Regulations for the Implementation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), trademark registrants shall enjoy the right to exclusive use of their trademarks and shall be protected by law. Trademark registrants may license others to use registered trademarks through licensing agreements, which shall be recorded with the Trademark Office.

Copyrights: Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) and the Regulations for Implementation of Copyright Law of the PRC (《中華人民共和國著作權法實施條例》), Chinese citizens, legal persons or other organizations shall, whether published or not, enjoy copyright in their works. Copyright encompasses a series of personal and property rights, including but not limited to the right of publication, the right of authorship, the right of modification, the right to protect the integrity of the work, and the right of reproduction. Pursuant to the Measures for Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) and the Regulations on the Protection of Computer Software (《計算機軟件保護條例》), the term of protection for software copyrights is 50 years.

Domain Names: The Internet Domain Name Management Measures (《互聯網域名管理辦法》) were promulgated on August 24, 2017, and implemented on November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Layout-Designs of Integrated Circuits: The Regulations on the Protection of Layout-Designs of Integrated Circuits (《集成電路布圖設計保護條例》) were promulgated on April 2, 2001 and came into effect on October 1, 2001. The term of protection of the exclusive right of layout-design shall be 10 years counted from the date of filing an application for registration or from the date on which it was first commercially exploited anywhere in the world, whichever expires earlier.

Laws and Regulations relating to Employment and Labour Security

Labour Law and Labour Contract: According to the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) and the Regulations on the Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) a labour contract shall be concluded where a labour relationship is to be established.

Social Insurance and Housing Fund: According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), and the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), employers are obliged to provide their employees in the PRC with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. According to the Regulations on the Administration of Housing Fund of the PRC (《住房公積金管理條例》), employers are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

Laws and Regulations relating to Taxation

Enterprise Income Tax: According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Regulation on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), a uniform statutory enterprise income tax rate of 25% applies to both foreign-invested enterprises and domestic enterprises, unless otherwise reduced or exempted under specific tax incentive schemes applicable to eligible industries or qualifying projects. An enterprise certified as a high and new technology enterprise was subject to a preferential enterprise income tax rate of 15%. According to the Notice of the Ministry of Finance and the State Taxation Administration on Preferential Corporate Income Tax Policies for the Shenzhen Park of the Hetao Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone (《財政部稅務總局關於河套深港科技創新合作區深圳園區企業所得稅優惠政策的通知》), the qualified enterprises in encouraged industries which are located in the special enclosed areas of the Shenzhen Park of the Hetao Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone are entitled to corporate income tax at a reduced rate of 15%.

Value-Added Tax: According to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) and the Detailed Rules for the Implementation of 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》), entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of Chinese Mainland are taxpayers of value-added tax ("**VAT**") and shall pay VAT. On December 25, 2024, the SCNPC promulgated the VAT Law of the PRC (《中華人民共和國增值稅法》), which will come into effect on January 1, 2026, and replace the Interim Regulations on Value-Added Tax of the PRC. Unless otherwise provided, the rate for the taxpayers' sale of goods, processing, repair and replacement services, leasing services of tangible movable property, and the import of goods is 13%, and may be 9%, 6%, or 0% under certain specific circumstances in accordance with this Law.

Laws and Regulations Relating to Overseas Offering and Listing

According to the Securities Law of the PRC (《中華人民共和國證券法》), a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. According to 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》) and relevant five guidelines, an issuer seeking an overseas initial public offering or listing shall, within 3 working days after submitting the issuance and listing application documents overseas, file a registration with the China Securities Regulatory Commission and submit the filing report, legal opinions, and other relevant documents. According to the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), where any PRC domestic company provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing entities, documents and materials 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.

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 potential investors.

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.

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, 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 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 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).

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong): The Employees' 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 Employees' 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.