
REGULATORY OVERVIEW

THE PRC LAWS, REGULATIONS AND POLICIES

We are subject to various Chinese laws, rules and regulations that affect many aspects of our business. This section provides an overview of the main Chinese laws, regulations and important policies that we consider to be relevant to our business and operations.

MAJOR REGULATORS

Our implementation of business activities within the industry are mainly supervised and managed by the Ministry of Industry and Information Technology of the People’s Republic of China (the “MIIT”). The MIIT is responsible for the national industrialization and informatization, formulating and organizing the implementation of industrial planning, industrial policies and standards, monitoring the daily operation of the industries, and promoting the development and independent innovation of major technology.

LAWS AND REGULATIONS RELATING TO ESTABLISHMENT OF COMPANIES AND FOREIGN INVESTMENT

In accordance with the Company Law of the PRC (中華人民共和國公司法) promulgated by the Standing Committee of the National People’s Congress (the “SCNPC”) on December 29, 1993, last amended on December 29, 2023 and implemented as of July 1, 2024, the Law applies to the establishment, operation and administration of domestic companies and foreign-invested enterprises in the PRC; where the laws regarding foreign investment provide otherwise, such provisions shall prevail.

The Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the “FIL”) promulgated by the NPC, and the Implementation Regulations for the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例) (the “Implementation Regulations for FIL”), promulgated by the State Council, are the principal laws and regulations governing foreign investment in the PRC. Pursuant to the FIL and the Implementation Regulations for FIL, the PRC adopts a foreign investment administration system of national treatment plus negative list management. Foreign investment and domestic investment in industries outside the scope of the Negative List issued or approved by the State Council shall be treated equally.

The Measures on Reporting of Foreign Investment Information (外商投資信息報告辦法) was released by the Ministry of Commerce of the PRC (the “MOFCOM”) and the State Administration for Market Regulation (the “SAMR”) on December 30, 2019, and became effective on January 1, 2020. Foreign investors directly or indirectly conducting investment activities within the territory of China shall submit the investment information through submission of initial reports, change reports, deregistration reports, annual reports etc. to the competent commerce authorities in accordance with the measures.

Investment activities in the PRC by foreign investors were principally governed by the Special Administrative Measures (Negative List) for Access of Foreign Investment (2024 version)(外商投資准入特別管理措施(負面清單)(2024年版))(the “**Negative List**”), and the Catalog of Industries for Encouraging Foreign Investment (鼓勵外商投資產業目錄(2022年版))(the “**Encouraging List**”) promulgated by the MOFCOM and the National Development and Reform Commission (the “NDRC”) in October 2022. The Negative List, which came into effect on November 1, 2024, sets out special administrative measures (restricted or prohibited) in respect of the access of foreign investments in a centralized manner, and the Encouraging List, which came into effect on January 1,

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2023, sets out the encouraged industries for foreign investment. The Negative Lists cover 11 industries, and any field not falling in the Negative Lists shall be administered under the principle of equal treatment for domestic and foreign investment. Our business as currently conducted does not fall within the confines of the Negative Lists and is not subject to special administrative measures.

POLICIES RELATING TO THE INTEGRATED CIRCUIT INDUSTRY

In June 2014, the State Council of the PRC (the “**State Council**”) promulgated the Outline for Promoting the Development of the National Integrated Circuit Industry (國家集成電路產業發展推進綱要), which stated that the development goal of the IC industry is to reach an advanced international standard in the major links of the IC industry chain by 2030, with a number of enterprises entering the international first tier and achieving leapfrog development. The main tasks and development priorities are to focus on the development of IC design industry, centering on key areas of the industry chain, strengthening IC design, software development, system integration, content and service collaborative innovation, and driving the development of the manufacturing industry with the rapid growth of the design sector.

In November 2016, the State Council promulgated the “Notice on the Issuance of the Development Plan for the Nation’s Strategic Emerging Industries under the ‘13th Five-Year’ Plan” (關於印發「十三五」國家戰略性新興產業發展規劃的通知), with a view to initiate the major productivity layout and planning project for ICs, and implement a series of high-impact projects to drive rapid leaps in industrial capabilities, as well as accelerate the construction of production lines for advanced manufacturing processes, storage devices and specialty technologies, enhance the design and development capability and application level of key products such as safe and reliable CPUs, ADC/DAC chips and digital signal processing chips, and promote the rapid development of industries such as packaging and testing, key equipment and materials.

In November 2017, the State Council promulgated the Guiding Opinions of the State Council on Deepening “Internet + Advanced Manufacturing” and Developing Industrial Internet (國務院關於深化“互聯網+先進製造業”發展工業互聯網的指導意見), encouraging domestic and foreign enterprises to cooperate in tackling technical problems for weak links such as big data analysis, industrial data modeling, key software systems, and chips; it is recommended to implement relevant preferential tax policies, promote preferential enterprise income tax for software and IC industries, and encourage relevant enterprises to accelerate the development and application of industrial Internet.

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), in order to further optimize the development environment of the IC industry and software sectors, deepen international cooperation in the industry, and enhance the industrial innovation capability and development quality, launch a series of supporting fiscal and taxation, investment and financing, research and development, import and export, talents, intellectual property rights, market application and international cooperation policies.

In March 2021, the NPC approved the Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives through the Year 2035 of the PRC (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要), proposing to foster advanced manufacturing clusters and promote industrial innovation and development of ICs, aerospace

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equipment, ship and ocean engineering equipment, robots, advanced rail transit equipment, advanced power equipment, construction machinery, high-end CNC machine tools, medicine, and medical equipment.

In December 2021, the State Council promulgated the Circular of “14th Five-Year Plan” for the Development of Digital Economy (“十四五” 數字經濟發展規劃的通知), which clarified that during the “14th Five-Year Plan” period, the promotion of digital industrialization should be accelerated to make up for key technical shortcomings. Optimizing and innovating organizational methods such as “selecting the best candidates via open competition mechanism”, focusing on breakthroughs in key core technologies in the fields of high-end chips, operating systems, industrial software, core algorithms and frameworks, and strengthening the integrated research and development of general-purpose processors, cloud computing systems, and key software technologies. In addition, the competitiveness of key links in the industrial chain should be improved, and the supply chain systems of key industries such as 5G, ICs, NEVs, AI, and industrial Internet should be improved.

In December 2023, the NDRC promulgated the “Industrial Structure Adjustment Guidance Catalog (2024 Edition)” (產業結構調整指導目錄(2024年本)) (the “**Catalog**”), which stated ICs was categorized as information industry, the 28th in the first category of Encouragement Catalog. The industry of main business of the Company is IC design (I6520), which was categorized as the first category and the Encouraged Project of the Catalog.

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

Pursuant to the National Security Law of the PRC (中華人民共和國國家安全法) issued by the SCNPC on and effective from July 1, 2015, the term “national security” is defined as “the status of national regime, sovereignty, unity and territorial integrity, people’s well-being, sustainable economic and social development, and other major national interests that are relatively safe and free from any internal and external threat, as well as the ability to ensure continuous security”. The state shall establish the rules and mechanisms for national security review and supervision, and conduct national security review of foreign investment, particular materials and key technologies, network information technology products and services that affect or may affect national security, construction projects that involve national security matters, and other major matters and activities to effectively prevent and resolve national risks.

The Administrative Measures for the Graded Protection of Information Security (信息安全等級保護管理辦法), which were jointly issued and implemented by the Ministry of Public Security, the National Administration of State Secrets Protection, the State Cipher Code Administration and the Informatization Office of the State Council (now revoked) on June 22, 2007, divide the security protection of information systems into five grades based on the degree of harm caused by the destruction of such information system to the legitimate rights and interests of citizens, legal entities and other organizations, public order of the society, other public interests and national security. It further requires the operators of information systems ranking Grade II or above to file an application with the local competent public security authorities within 30 days from the date when its security protection grade is determined, or its information system starts operation.

According to the Cybersecurity Law of the PRC (中華人民共和國網絡安全法) promulgated by the SCNPC on November 7, 2016 and effective from June 1, 2017, network operators who build, operate or provide services through networks shall take technical measures and other necessary

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measures according to laws, administrative regulations and compulsory national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. Network operators are subject to various security protection-related obligations, including: (i) complying with security protection obligations in accordance with tiered cybersecurity system’s protection requirements, which include formulating internal security management systems and operation instructions, appointing responsible personnel for cybersecurity, adopting technical measures to prevent computer viruses and cybersecurity endangering activities, adopting technical measures to monitor and record network operation status and events relating to cybersecurity, taking data security measures such as data classification, backups and encryption; (ii) formulating cybersecurity emergency response plans, timely handling of security risks, initiating emergency response plans, taking appropriate remedial measures and reporting to regulatory authorities in case of any incident endangering cybersecurity; and (iii) providing technical assistance and support for public security authorities and national security authorities for protection of national security and criminal investigations in accordance with applicable laws.

Pursuant to the Data Security Law of the PRC, which was promulgated by the SCNPC on June 10, 2021 and came into effect on September 1, 2021, the state shall establish a data classification and tiered protection system to implement categorized and tiered safeguards for data. Entities carrying out data processing activities shall establish a sound data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations.

The PRC Civil Code (中華人民共和國民法典)(the “**Civil Code**”), which was promulgated by the NPC on May 28, 2020 and implemented on January 1, 2021, stipulates that the personal information of a natural person shall be protected and provides main legal basis for privacy and personal information infringement claims. On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law (中華人民共和國個人信息保護法) which became effective on November 1, 2021. The PRC Personal Information Protection Law mandates that personal information processors fulfill various personal information protection obligations, including, among others, (i) informing the individuals of the rules and purposes of personal information processing, impacts of personal information processing and how the individual can exercise their rights, (ii) obtaining consents from individuals for personal information processing or having other applicable legal basis to process personal information, (iii) establishing internal policies and procedures in terms of personal information processing and taking appropriate technical measures, (iv) providing channels for individuals to exercise their personal information rights and respond to their requests; and (v) conduct personal information protection impact assessment under certain personal information processing activities.

According to the Cybersecurity Review Measures, which were jointly promulgated by the Cyberspace Administration of China and several PRC regulatory authorities on December 28, 2021, and came into force on February 15, 2022, purchases of network products and services by critical information infrastructure operators and data processing activities by network platform operators, which affect or may affect national security, shall be subject to a cybersecurity review. Network platform operators possessing the personal information of more than 1 million users who intend to list abroad must apply to the Cybersecurity Review Office for a cybersecurity review. Where any member of the Cybersecurity Review working mechanism believes that the network products and services and data processing activities affect or may affect national security, the Cybersecurity Review Office shall

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report to the Central Cyberspace Affairs Commission for approval under procedures, and then conduct the review in accordance with relevant regulations.

On March 22, 2024, the CAC issued the Provisions on the Promotion and Regulation of Cross-border Data Flows (促進和規範數據跨境流動規定). According to these provisions, the transfer of data collected and generated during specific activities such as international trade, cross-border transport, transnational manufacturing, and marketing, which do not involve personal information or important data, is exempted from the requirements to undergo data export security assessment, the need to enter into standard contracts for the transfer of personal information abroad, or obtaining personal information protection certification. These provisions also stipulate that, if a data processor, who is not a critical information infrastructure operator, transfers personal information of less than 100,000 individuals cumulatively as of January 1 of the current year, it may be exempted from the requirement to undergo a data export security assessment, entering into a standard contract for transferring personal information abroad, or obtaining personal information protection certification.

On September 24, 2024, the State Council promulgated the Regulations on the Security Management of Network Data (網絡數據安全管理條例), or the Network Data Regulations, which came into effect on January 1, 2025. The Network Data Regulations provide detailed implementing rules and guidance on various aspects of data compliance requirements under the existing data protection framework pillars of the PRC Cybersecurity Law, the PRC Data Security Law and the PRC Personal Information Protection Law. The Network Data Regulations supplement the requirements on several aspects of the PRC Personal Information Protection Law regarding notification, consent, and the exercise of data subject right, provide more detail on compliance requirements for processors of important data, and also provide more guidance to streamline cross-border data transfers.

On December 8, 2022, the MIIT promulgated the Administrative Measures for Data Security in Industry and Information Technology Sectors (for Trial Implementation) (工業和信息化領域數據安全管理辦法(試行)), or the Data Security Measures, which became effective on January 1, 2023. The data processors in the industry and information technology sectors are required by the Data Security Measures to establish a full life-circle data security management systems, designate data security management personnel, reasonably manage operation authorization and formulate responses plan and conduct emergency drills and relevant trainings.

LAWS AND REGULATIONS RELATING TO OUTBOUND DIRECT INVESTMENT

Pursuant to the Measures for the Administration of Overseas Investment (境外投資管理辦法) which was issued by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014, outbound investment by enterprises is subject to approval or filing administered by MOFCOM and its provincial counterparts. Investment in sensitive countries, regions or industries requires approval; all other outbound investment is subject to filing.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (企業境外投資管理辦法) promulgated by the NDRC on December 26, 2017 and came into effect on March 1, 2018, the investing activities of enterprises in Mainland China such as acquiring overseas ownerships, controlling rights, operating and management rights and other relevant interests by way of investing assets and interests or providing financing and guarantees to control its overseas enterprises, either directly or indirectly, are required to obtain approval or filing with the NDRC in accordance with the relevant conditions of the overseas investment projects. Outbound investment projects involving

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sensitive countries, regions or sectors are subject to NDRC approval. Non-sensitive projects are subject to filing: those with mainland China investment of US\$300 million or above are filed with NDRC, while those below such threshold are filed with provincial counterpart of the NDRC.

Pursuant to the Notice on Further Simplify and Enhance Foreign Exchange Policy on 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) issued by the State Administration of Foreign Exchange (the “SAFE”) on February 13, 2015 and implemented on June 1, 2015, to cancel the administrative approval for foreign exchange registration for foreign direct investment and grant banks the rights to directly review and handle foreign exchange registration for foreign direct investment. The SAFE and its branches shall carry out indirect supervision over foreign exchange registration for overseas direct investment through the banks.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT TRADE

According to the Customs Law of the PRC (中華人民共和國海關法), which was promulgated by the SCNPC on January 22, 1987 and last revised on April 29, 2021, unless otherwise stipulated, the declaration of import and export goods and the payment of customs duties may be handled by the consignees or consignors of imported or exported goods or entrusted customs declaration enterprises. The consignee or the consignor of imported or exported goods and the customs declaration enterprise shall go through customs declaration and filing procedures at the relevant customs in accordance with the law.

According 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 May 12, 1994 and last revised on December 30, 2022, and the Regulation of the People’s Republic of China on the Administration of the Import and Export of Goods (中華人民共和國貨物進出口管理條例) promulgated by the State Council on December 10, 2001, last revised on March 10, 2024 and became effective on May 1, 2024, unless it is clearly provided in laws or administrative regulations to forbid or restrict the import or export of goods, no entity or individual may establish or maintain prohibitive or restrictive measures over the import or export of goods.

Pursuant to the Administrative Provisions of the PRC on the Filing of Customs Declaration Entities (中華人民共和國海關報關單位備案管理規定) promulgated by the General Administration of Customs on November 19, 2021 and became effective on January 1, 2022, consignees, consignors or customs declaration enterprises of imported or exported goods only need to file with the Customs, and no longer need to register with the General Administration of Customs. The filing information will be publicized through the credit publicity platform of import and export business of Customs of the PRC.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Patent

Pursuant to the Patent Law of the PRC (the “**Patent Law**”) (中華人民共和國專利法) promulgated by the SCNPC on March 12, 1984, last revised on October 17, 2020 and effective from June 1, 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) promulgated by the State Council on June 15, 2001, last revised on December 11, 2023 and effective from January 20, 2024, there are three types of patents, namely invention, utility model and design. Invention patents are valid for 20 years, while utility model patents are valid for 10 years and design patents are valid for 15 years, all starting from the date of application. After the granting of a patent for an invention or utility model, unless otherwise provided for in the Patent Law, no entity or

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individual may exploit the patent without the permission of the patentee; after the granting of a design patent, no entity or individual shall, without permission of the patentee, exploit the patent, that is, they shall not make, promise to sell, sell, or import the product incorporating its or his patented design, for production and business purposes.

Trademark

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) promulgated by the SCNPC on August 23, 1982, last revised on April 23, 2019 and effective on November 1, 2019, and the Regulation on the Implementation of the Trademark Law of the PRC (中華人民共和國商標法實施條例) promulgated by the State Council on August 3, 2002, last revised on April 29, 2014 and effective on May 1, 2014, trademarks approved and registered by the Trademark Office are registered trademarks, and the trademark registrant shall have the exclusive right to use the trademark, which is protected by law. The validity period of a registered trademark is 10 years, counting from the date of approval of registration.

Copyright

According to the Copyright Law of the PRC (中華人民共和國著作權法) promulgated by the SCNPC on September 7, 1990, last revised on November 11, 2020 and effective on June 1, 2021, and the Implementation Regulations of the Copyright Law of the PRC (中華人民共和國著作權法實施條例) promulgated by the State Council on August 2, 2002, last revised on January 30, 2013 and effective on March 1, 2013, works of PRC citizens, legal persons or unincorporated organizations, whether published or not, shall enjoy copyright in accordance with law. Works refer to intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form. A copyright holder shall enjoy a number of personal and property rights, including the right of publication, the right of authorship and the right of amendment.

According to the Regulations on the Protection of Computer Software (計算機軟件保護條例) promulgated by the State Council on December 20, 2001, last revised on January 30, 2013 and effective on March 1, 2013, and the Measures for the Registration of Computer Software Copyright (計算機軟件著作權登記辦法) promulgated by the National Copyright Administration of the PRC on February 20, 2002, Chinese citizens, legal persons or other units shall enjoy the copyright for software they develop, regardless of whether it has been published. Software copyright arises from the date of completion of software development. The protection period of the software copyright of legal persons or other units shall be 50 years, ending on December 31, of the fiftieth year after the first publication of the software.

Design of IC Layouts

Pursuant to the Regulations on the Protection of Layout-Designs of Integrated Circuits (集成電路布圖設計保護條例) (the “**Regulations on the Protection**”) issued by the State Council on April 2, 2001, and effective from October 1, 2001, natural persons, legal persons or other organizations in China who create layout-designs shall have exclusive rights to their designs in accordance with the Regulations on the Protection. The exclusive rights to the layout design arise upon registration with the intellectual property administration department of the State Council, and layout designs that have not been registered are not protected by the Regulations on the Protection. The protection period for the exclusive rights of a layout design is 10 years, starting from the date of application for registration of

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the design or from the date of putting it into commercial exploitation somewhere in the world for the first time, whichever is earlier. However, whether or not the design is registered or commercially used, it is no longer protected by the Regulations on the Protection 15 years after the date of completion of the design.

Domain Names

According to the Measures for the Administration of Internet Domain Names (互聯網域名管理辦法) promulgated by the MIIT on August 24, 2017, which came into effect on November 1, 2017, the MIIT is responsible for the supervision and management of China’s domain name services. No organization or individual shall impede the safe and stable operation of the Internet domain name system.

LAWS AND REGULATIONS ON PRODUCT LIABILITY

Pursuant to the PRC Product Quality Law (中華人民共和國產品質量法) latest amended by the SCNPC on December 29, 2018, a manufacturer is prohibited from producing or selling products that do not meet applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes personal injury or property damage, the aggrieved party may make a claim for compensation from the manufacturer or the seller of the product. Manufacturers and sellers of non-compliant products may be ordered to cease the production or sale of the products and could be subject to confiscation of the products and fines. Earnings from sales in violation of such standards or requirements may also be confiscated, and in severe cases, an offender’s business license may be revoked.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION AND FIRE PREVENTION

Environment Impact Assessment

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated by the SCNPC on December 26, 1989, last revised on April 24, 2014 and implemented as of January 1, 2015, and the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法) last revised and implemented by the SCNPC as of December 29, 2018, for any construction projects that have an impact on the environment, an entity is required to produce either a report, or a statement, or a registration form of such environmental impacts depending on the seriousness of effect that may be exerted on the environment.

According to the Administrative Regulations on the Environmental Protection of Construction Project (建設項目環境保護管理條例), promulgated by the State Council on November 29, 1998 and amended on July 16, 2017, upon completion of construction for which an environmental impact report or environmental impact statement is formulated, the constructor shall conduct an acceptance inspection of the environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, formulate the acceptance inspection report, and announce the acceptance inspection report pursuant to the law except for circumstances where there is a need to keep confidentiality pursuant to the provisions of the State. Where the environmental protection facilities have not undergone acceptance inspection or do not pass acceptance inspection, the construction project shall not be put into production or use.

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Completion and Acceptance

The Interim Measures for Acceptance of Environmental Protection upon Completion of Construction Projects (建設項目竣工環境保護驗收暫行辦法), which is promulgated and implemented by the former Ministry of Environmental Protection (now the Ministry of Ecology and Environment) on November 20, 2017, regulates the procedures and standards for environmental protection independent acceptance by construction units upon the completion of construction projects.

Water Pollution and Pollutant Discharge

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

Fire Protection Design Approval and Filing

The Fire Prevention Law of the PRC (中華人民共和國消防法) (the “**Fire Prevention Law**”) was adopted on April 29, 1998 and latest amended on April 29, 2021. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Emergency Management Authority of the State Council and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The Fire and Rescue Department of the People’s Government are responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards (as the case may be). According to the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (建設工程消防設計審查驗收管理暫行規定), issued by the Ministry of Housing and Urban-Rural Development on August 21, 2023 and effective on October 30, 2023, special construction projects as defined under such Interim Provisions shall conduct fire protection design review and fire protection final inspection, construction projects other than such special construction projects shall fill acceptance of the project with competent authority.

LAWS AND REGULATIONS RELATING TO REAL ESTATES

Pursuant to the Land Administration Law of the PRC (中華人民共和國土地管理法) promulgated by the SCNPC on June 25, 1986, latest amended on August 26, 2019 and became effective on January 1, 2020, Registration of the ownership and the right to the use of land shall be governed by the laws and administrative regulations relating to real estate registration and the legally registered ownership and right to the use of land shall be protected by law and may not be infringed upon by any entities or individuals.

Pursuant to the Law on Administration of Urban Real Estate of the PRC (中華人民共和國城市房地產管理法), which was promulgated by the SCNPC on July 5, 1994, was last revised on August 26, 2019 and came into effect on January 1, 2020, in case of house leasing, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, usage, rental and repair liabilities, as well as other rights and obligations of both parties, and go through registration and filing procedures with the real estate administration department.

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According to the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010 and came into effect on February 1, 2011, within 30 days after the conclusion of the house leasing contract, the parties involved in the house leasing shall carry out house leasing registration with the construction (real estate) administrative department of the people’s government of a municipality directly under the central government of the PRC, city or county where the house leased is located. In the case of a violation of the above provisions, they may be ordered to make corrections within a specified time limit by the competent construction (real estate) department of the people’s government of a municipality directly under the central government, city or county. If fails to do so, a fine of more than RMB1,000 but less than RMB10,000 will be imposed.

According to the Civil Code, failure of the parties to the lease contract to complete the formalities for registration in accordance with the laws and administrative regulations shall not affect the validity of the contract.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL INSURANCE

Pursuant to the Labor Law of the PRC (中華人民共和國勞動法) last revised by the SCNPC on December 29, 2018 and the Labor Contract Law of the PRC (中華人民共和國勞動合同法) last revised by the SCNPC on December 28, 2012 and came into effect on July 1, 2013, a labor contract shall be concluded when a labor relationship is established. Employers shall establish and improve labor rules and systems in accordance with the law to safeguard employees’ labor rights and fulfillment of labor obligations.

In accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法) last revised and put into effect by the SCNPC on December 29, 2018, the Provisional Regulations on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) last revised and put into effect by the State Council on March 24, 2019, the social insurance system has been established for basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. Enterprises shall register social insurance with the local social insurance agency and participate in social insurance. Enterprises and employees shall pay their social insurance premiums in full and in a timely manner.

In accordance with the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例) which was last revised and put into effect by the State Council on March 24, 2019, enterprises shall register at the housing provident fund management center to pay housing provident funds and open housing provident fund accounts for their employees. Enterprises are required to pay housing provident funds on behalf of their employees in full and in a timely manner.

Pursuant to the Interpretation II of the Supreme People’s Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases 《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) enacted by the Supreme People’s Court on 31 July 2025 and implemented on 1 September 2025, any agreement between an employer and an employee for the non-payment of social insurance or any employee undertaking to waive such payment shall be determined as void by the people’s court. The Company has not entered into any agreement with the relevant employees to waive such payment.

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LAWS AND REGULATIONS ON TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax (the “EIT”) Law (企業所得稅法) promulgated by the NPC on March 16, 2007, which was revised on February 24, 2017 and December 29, 2018, and the Regulations on the Implementation of the EIT Law of the PRC (中華人民共和國企業所得稅法實施條例) promulgated by the State Council on December 6, 2007 and the latest revision will be on December 6, 2024, the “resident enterprises” are enterprises which are set up in China in accordance with law, or which are set up in accordance with the law of a foreign country (region) but which are actually under the administration of institutions in China. The rate of enterprise income tax shall be 25%; the high-tech enterprises that need key support from the PRC government will enjoy a tax rate reduction to 15% for EIT.

In December 2020, the Ministry of Finance, the General Administration of Taxation, the NDRC, and the MIIT jointly released the “Announcement on Enterprise Income Tax Policy for Promoting High Quality Development of Integrated Circuit Industry and Software Industry”, key IC design enterprises and software enterprises encouraged by the state are exempted from enterprise income tax for the first to fifth years starting from the profit-making year, and are subject to a reduced enterprise income tax rate of 10% in the succeeding years.

Value-added Tax

Pursuant to the Value-Added Tax Law of the PRC (中華人民共和國增值稅法), promulgated by the NPCSC on December 25, 2024, came into effect on January 1, 2026 and simultaneously repealed the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例), all entities and individuals (including individual industrial and commercial households) that sell goods, services, intangible assets, immovables or import goods in the PRC shall be VAT taxpayers and pay VAT in accordance with the law. Unless otherwise provided for by the state, the VAT rate is 13% for the sale of goods, processing, repair and maintenance services, and leasing services of tangible movables; 9% for the sale of transportation, postal, basic telecommunications, construction and immovable leasing services, sale of immovables, the transfer of land use rights, and the sale or import of prescribed goods; and 6% for the sale of other services and intangible assets. The VAT rate for exported goods is zero, unless otherwise provided for by the State Council.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Administrative Regulations on Foreign Exchange of the PRC (中華人民共和國外匯管理條例), which was promulgated by the State Council on January 29, 1996 and was amended and implemented on August 5, 2008, domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange administration department of the State Council.

According to the Guidelines for Foreign Exchange Operations under the Capital Account (2024 Edition) (資本項目外匯業務指引 (2024年版)), promulgated by State Administration of Foreign Exchange (the “SAFE”) on April 3, 2024, and came into effect on May 6, 2024, for domestic companies listed overseas, the raised funds shall in principle be repatriated to China in a timely manner in either Renminbi or foreign currency. The use of such funds shall be consistent with the content of

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the public disclosure documents such as this Document, corporate bonds issuance documents, circulars to shareholders and resolutions of board of directors and shareholders’ meetings. Domestic companies utilizing funds raised overseas for overseas direct investment, overseas securities investment, or cross-border lending shall comply with the relevant foreign exchange regulations.

Pursuant to the Notice on Issues Concerning Capital Management for Overseas Listing of Domestic Enterprises (關於境內企業境外上市資金管理有關問題的通知), jointly promulgated by the People’s Bank of China and the SAFE on December 26, 2025 and will come into effect on April 1, 2026, a domestic enterprise shall complete the registration with the competent banks within 30 working days after the date of its initial overseas listing or the completion of the over-allotment. The proceeds raised may be remitted to the PRC or deposited overseas, provided that the use of funds shall be consistent with the relevant disclosure documents. Domestic shareholders that increase or reduce their overseas shareholdings shall also comply with the relevant registration and account management requirements.

LAWS AND REGULATIONS RELATING TO THE ISSUANCE AND LISTING OF SECURITIES OVERSEAS BY DOMESTIC ENTERPRISES

On February 17, 2023, the CSRC promulgated the Overseas Listing Regulations and related guidelines, which came into effect on March 31, 2023. Pursuant to the Overseas Listing Regulations, the PRC domestic companies (whether conducting overseas securities offerings/listings directly or indirectly) shall complete the filing formalities with the CSRC within three working days after submitting an initial public offering or listing application to the overseas regulatory authority. Non-compliance (such as failing to complete filings, concealing material facts or forging filing documents) may result in administrative penalties (including orders to rectify, warnings and fines) being imposed on the company, as well as its controlling shareholders, actual controllers and directly responsible persons-in-charge.

Pursuant to 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), which was jointly issued by the CSRC together with other relevant authorities on February 24, 2023 and became effective on March 31, 2023, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of Mainland China by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of Mainland China. Cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

LAWS AND REGULATIONS RELATING TO PRC SANCTIONS REGIME

On June 10, 2021, the SCNPC promulgated the Anti-Foreign Sanctions Law (中華人民共和國反外國制裁法). It is the governing law of China’s sanctions regime, and its main purpose is to counteract “foreign discriminatory restrictive measures” imposed by foreign governments that infringe on China’s national security and the lawful rights and interests of Chinese citizens and organizations.

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On January 9, 2021, the MOFCOM introduced the Rules on Counteracting Unjustified Extraterritorial Application of Foreign Laws and Measures (the “**Blocking Rules**”) (阻斷外國法律與措施不當域外適用辦法) . As indicated in Article 2, the Blocking Rules aims to block the unjustified extraterritorial application of foreign laws and measures that prohibit or restrict transactions between Chinese persons and third country persons.

On September 19, 2020, the MOFCOM issued the Provisions on the Unreliable Entity List(不可靠實體清單規定). According to Article 2 of the Provisions, foreign entities may be placed on the Unreliable Entity List for the following reasons: 1) endangering the national sovereignty, security or development interests of China; 2) suspending normal transactions with Chinese companies, organizations and individuals, or applying discriminatory measures against them in violation of normal market transaction principles, thereby causing serious damage to the lawful rights and interests of Chinese persons.

LAWS AND REGULATIONS RELATING TO U.S. EXPORT CONTROLS, SANCTIONS AND INVESTMENT POLICIES

U.S. EXPORT CONTROLS

Pursuant to the Export Administration Act of 1979 and the Export Control Reform Act of 2018, the Export Administration Regulation (the “**EAR**”) governs the export, reexport, and in-country transfer of items subject to the EAR. Items subject to the EAR include all items in the United States, all U.S. origin items wherever located, and certain non-U.S. made items pursuant to de minimis rule and foreign direct product rule. Any persons may not, without a license, knowingly export, reexport, or transfer (in-country) any item subject to the EAR to an embargoed country/region, an end user or end use that is prohibited by part 744 of the EAR.

U.S. SANCTIONS

Under the authorities granted by the International Emergency Economic Powers Act and the Trading with the Enemy Act, the U.S. President can create and enforce sanctions programs through Executive Orders to deal with any unusual and extraordinary threat to the national security, foreign policy, or economy of the United States. In practice, the Office of Foreign Assets Control (the “**OFAC**”) under the Department of the Treasury is tasked with implementing and enforcing sanctions measures in accordance with relevant Executive Orders. Currently, Iran, North Korea, Cuba, the Crimea Region, Luhansk Region and Donetsk Region are subject to comprehensive sanctions imposed by the U.S. government. Besides comprehensive sanctions against certain countries, the U.S. government also imposes sanctions on certain individuals or entities for endangering the national security and foreign policy of the U.S. The main sanctions lists administered by OFAC (and other departments, e.g. Department of Defense) include the Specially Designated Nationals List (SDN List), the Non-SDN Military Industrial Complex List (NS-CMIC List), and the Chinese Military Companies List (CMC List).

OUTBOUND INVESTMENT RULE BY THE U.S. DEPARTMENT OF THE TREASURY

On August 9, 2023, the U.S. President issued Executive Order No. 14105, directing the Secretary of Treasury to establish a program to prohibit or require notification of certain types of outbound investments by U.S. persons into certain entities located in or subject to the jurisdiction of countries of concern (currently means China, including Hong Kong and Macau) that are engaged in

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activities in certain sectors (currently include semiconductors and microelectronics, quantum information technologies or AI). On January 2, 2025, the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern became effective (the “**Outbound Investment Rules**”). Under the Outbound Investment Rules, U.S. persons are subject to notification requirements or prohibitions if they engage in “covered transactions” involving “covered foreign persons”.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATIONS IN HONG KONG

Regulations Relating to Business Registration

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

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

Regulations Relating to Sale of Goods

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

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

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

Under section 55 of the SOGO, where there is a breach of warranty by the seller, the buyer is not, by reason only of such breach of warranty, entitled to reject the goods, but he may set up against the seller

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the breach of warranty in diminution or extinction of the price, or maintain an action against the seller for damages for the breach of warranty.

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

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

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

Under the SSITO, certain terms are implied in the contracts with customers for the supply of services, including: (a) that the supplier will carry out the service with reasonable care and skill; (b) that the supplier will carry out the service within a reasonable time (if the time of service is not fixed or fixed in a manner agreed); (c) that the party contracting with the supplier will pay a reasonable charge (if the consideration is not determined by the contract or left to be determined in a manner agreed or by course of dealing between the parties).

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

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

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

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

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

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

Under section 9 of the CECO, a person dealing as consumer cannot by reference to any contract term be made to indemnify another person (whether a party to the contract or not) in respect of liability

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that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness.

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

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

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

Regulations Relating to Importation and Exportation of Goods

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

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

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

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

Regulations Relating to Employment

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (“OSHO”)

The OSHO provides for the safety and health protection to employees in workplace, both industrial and non-industrial. Under section 6 of the OSHO, every employer must, so far as reasonably practicable, ensure the safety and health at work of all the employer’s employees by:

- providing and maintaining plant and systems of work that are safe and without risks to health;

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- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant and substances;
- providing information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees;
- as regards any workplace under the employer’s control, maintaining the workplace in a condition that is safe and without risks to health or providing or maintaining means of access to and egress from the workplace that are safe and without any such risks; and
- providing or maintaining a working environment for the employees that is safe and without risks to health.

Failure to comply with the above provisions constitutes an offense and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offense and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labor may serve an improvement notice on an employer against contravention of the OSHO or the FIUO, or a suspension notice against activity or condition or use of workplace or of any plant or substance located on the workplace which may create an imminent risk of death or serious bodily injury to the employees. Failure to comply with a requirement of an improvement notice or contravenes a suspension notice without reasonable excuse constitutes an offense and the employer is liable on conviction to a fine of HK\$200,000 and HK\$500,000, respectively, and to imprisonment for 12 months.

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) (“OLO”)

The OLO regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land. The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitors will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (“EO”)

The EO regulates the general conditions of employment and matters connected therein in Hong Kong. It provides for various employment-related benefits and entitlements to employees. All employees covered by the EO, irrespective of their hours of work, are entitled to protection including payment of wages, restrictions on wages deductions and the granting of statutory holidays. Employees who are employed under a continuous contract are further entitled to such benefits as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

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

The ECO establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or deaths caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay

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compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of the ECO, all employers are required to take out insurance policy to cover their liabilities both under the ECO and at common law for injuries at work in respect of all employees (including full-time and part-time employees) for an amount not less than the applicable amount specified under the ECO. An employer who fails to comply with the ECO to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years, and on summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for one year.

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

The MWO provides for a prescribed minimum hourly wage rate (as at the Latest Practicable Date, HK\$42.1 per hour) during the wage period for every employee engaged under a contract of employment under the EO (except those specified under section 7 of the MWO). A provision of a contract of employment that purports to extinguish or reduce any right, benefit or protection conferred on the employee by the MWO is void.

Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) (“MPFSO”)

The MPFSO provides for, inter alia, the establishment of a system of privately managed, employment related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement. Subject to the minimum and maximum relevant income levels, it is mandatory for both employers and their employees to contribute 5% of the employee’s relevant income to the mandatory provident fund scheme. Currently, the minimum and maximum relevant income levels for employees who are paid monthly are HK\$7,100 and HK\$30,000 respectively. Further, employers are obliged to enroll their employees aged 18 to 65 to a Mandatory Provident Fund Scheme within 60 days of his or her employment.

Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) (“IO”)

Generally speaking, under the IO, a person is required to hold a visa/entry permit to work in Hong Kong unless he has the right of abode or right to land in Hong Kong. Section 17I of the IO stipulates that any person who is the employer of an employee who is not lawfully employable commits an offense and is liable to a fine of HK\$350,000 and to imprisonment for three years if the employee is not a prohibited employee, and if the employee is a prohibited employee, to a fine of HK\$500,000 and to imprisonment for 10 years.

Regulations Relating to Taxes

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

As our Group carry out business in Hong Kong, the Company are subject to the profits tax regime under the IRO. The IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of person, carrying on any trade, profession or business in Hong Kong are

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chargeable to tax on all profits (excluding profits from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is currently at 8.25% on assessable profits up to HK\$2,000,000; and 16.5% on any part of assessable profits over HK\$2,000,000. The IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowance for depreciation.

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

- (a) Any person who without reasonable excuse files an incorrect return commits an offense under section 80(2) of the IRO and is liable on conviction to a fine at level 3 (i.e. HK\$10,000) and a further fine of treble the amount of tax which has been undercharged as a result of the incorrect return, statement or information or omission, or would have been so undercharged if the return, statement or information had been accepted as correct or the omission had not been detected.
- (b) Any person who willfully with intent to evade or to assist any other person to evade tax omits from a return any sum which should be included commits an offense under section 82(1) of the IRO is liable:
 - (i) on summary conviction to a fine at level 3 (i.e. HK\$10,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offense or which would have been undercharged if the offense has not been detected and imprisonment for 6 months; and
 - (ii) on indictment to a fine at level 5 (i.e. HK\$50,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offense or which would have been undercharged if the offense has not been detected and imprisonment for 3 years.
- (c) Under sections 80(5) and 82(2) of the IRO, the Commissioner of Inland Revenue may compound any offense in lieu of prosecution.
- (d) Under section 82A of the IRO, any person who without reasonable excuse makes an incorrect return by omitting or understating anything in respect of which he is required to make a return, shall, if no prosecution under section 80(2) or 82(1) has been instituted in respect of the same facts, be liable to be assessed to additional tax of an amount not exceeding treble the amount of tax undercharged as a result of the filing of the incorrect tax return.

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

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Regulations Relating to Data Protection

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

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

The Data Protection Principles are summarized as follows:

- (1) Adequate personal data should be collected (i) for a lawful purpose, which is necessary for and directly related to a function or activity of the data user, (ii) by fair and lawful means. The person whose data is being collect is informed (a) that whether he is obligatory or voluntary for him to supply the data, (b) the purpose of the collection and the class of persons to whom the data may be transferred, (c) on or before, his right to access and correct the data collected and the information of the person who might handle such requests.
- (2) All practicable steps shall be taken to ensure the accuracy of the person data collected, and kept not long than is necessary.
- (3) Personal data should not be used for the purposes outside of the person’s consent.
- (4) All practicable steps shall be taken to ensure that any personal data held by a data user is protected against unauthorized or accidental access, processing, erasure, loss or use.
- (5) All practicable steps shall be taken to ensure that a person can (a) ascertain a data user’s policies and practices in relation to personal data; (b) be informed of the kind of personal data held by a data user; (c) be informed of the main purposes for which personal data held by a data user is or is to be used.
- (6) A data subject shall be entitled to ascertain whether a data user holds personal data of which he is the data subject and request access to personal data. The data subject should be given reasons if the request is refused and right to object to the refusal.

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

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

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

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

Regulations Relating to Intellectual Properties

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

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

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

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

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

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

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

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

Among other things, the OSCO empowers officers of the Hong Kong Police Force and the Hong Kong Customs & Excise Department to investigate organized crime and triad activities, and confers jurisdiction on the Hong Kong courts to confiscate the proceeds of organized and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of

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specified offenses under the OSCO. The OSCO extends the money laundering offense to cover the proceeds from all indictable offenses in addition to drug trafficking.

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

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