Laws and Regulations on Securities and Overseas Listings

Securities

On December 29, 1998, the Sixth Session of the Standing Committee of the Ninth National People's Congress ("**NPC**") adopted the Securities Law of the People's Republic of China ("**PRC**") (《中華人民共和國證券法》, the "**Securities Law**"). The Securities Law was latest amended on December 28, 2019 and implemented on March 1, 2020. As the fundamental law governing the PRC securities market, the Securities Law comprehensively regulates core areas such as securities issue and trading, corporate governance of the listed companies, the operations of securities exchanges and securities authorities, mergers and acquisitions in the market, and the statutory responsibilities of securities regulatory authorities. The Securities Law further provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing its securities outside the PRC. Specific measures for subscribing and trading shares of domestic companies in foreign currencies shall be separately prescribed by the State Council. The China Securities Regulatory Commission, ("**CSRC**"), the securities regulatory authority established by the State Council, is responsible for the statutory functions of exercising unified supervision over the national securities market, maintaining market order, and ensuring lawful and compliant market operations. Currently, the issue and trading of H shares are mainly governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas listings

On February 17, 2023, with the approval of the State Council, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》, the "**Trial Measures**") and five supporting guidelines were promulgated by the CSRC and took effect on March 31, 2023. Pursuant to the Trial Measures, PRC domestic companies that list and trade securities directly or indirectly outside the PRC shall file the application with and report relevant materials to the CSRC within three working days after its application for overseas listing is submitted. The issuer shall file with the CSRC any subsequent securities offerings conducted in the same overseas market where its previously issued and listed securities were placed within three business days after the completion of the issuance. Subsequent securities offerings and listings conducted by the issuer in other overseas markets shall be filed as initial public offerings.

In addition, the Trial Measures provides that no overseas offering and listing shall be made under any of the following circumstances: (1) such securities offering and listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (2) such securities offering and listing may jeopardize national security as reviewed and determined by competent authorities under the State Council in accordance with law; (3) the domestic company, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (4) the domestic company is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; (5) there are material ownership disputes over equity held by the controlling shareholder or by shareholders that are under the control of the controlling shareholder and actual controller.

The Trial Measures also stipulates that if the following significant events take place after its oversea offering and listing, the issuer shall report the details to the CSRC within three working days after the occurrence and announcement of the relevant event: (1) change of control; (2) being subject to investigation, punishment or any other measures by overseas securities regulatory authorities or relevant competent authorities; (3) change of listing status or listing board transfer; (4) voluntary or compulsory termination of the listing. Domestic enterprises conducting overseas issuance and listing activities shall comply with laws, administrative regulations, and relevant national provisions concerning foreign investment, state-owned asset management, industry regulations, and overseas investment. Such activities shall not disrupt domestic market order, nor harm national interests, public interests, or the lawful rights and interests of domestic investors.

To further strengthen confidentiality and archives administration related to overseas issuance and listing of domestic enterprises, clarify the information security responsibilities of listed companies, safeguard national information security, and deepen cross-border regulatory cooperation, the CSRC, MOF, the National Administration of State Secrets Protection and the National Archives Administration jointly issued the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》, the "**Provisions on Strengthening Confidentiality and Archives Administration**") on February 24, 2023. Pursuant to the Provisions on Strengthening Confidentiality and Archives Administration, if a domestic enterprise provides or publicly discloses documents and materials involving state secrets or confidential government information to entities such as relevant securities companies, securities service providers or overseas regulators, and individuals, it shall obtain approval from competent authorities with approval authority in accordance with law, and report to the confidentiality administrative department at the same level for record-filing. Domestic enterprise providing accounting files or copies thereof to any entities and individuals including securities companies, securities service providers and overseas regulators shall complete due procedures in compliance with relevant state provisions.

Laws and Regulations on H-share Full Circulation

"Full circulation" means listing and circulation of the domestic unlisted shares of an H-share listed company (including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders) on the stock exchanges. Domestic shareholders of unlisted shares who authorize domestic enterprises to file an application for "full circulation" to the CSRC shall submit materials on key compliance matters, including whether the "full circulation" application has duly completed the internal decision-making processes, necessary internal approvals and authorizations, and whether the "full circulation" involves the approval or filing processes prescribed in laws, regulations and policies on state-owned asset management, industrial regulation and foreign investment, and, if so, whether the approval or filing processes have been completed.

Pursuant to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請「全流通」業務指引》) promulgated and implemented by the CSRC on November 14, 2019 and amended on August 10, 2023, shareholders of domestic unlisted shares may determine by themselves through negotiation the number and proportion of shares, for which an application shall be filed for circulation, provided that the requirements set forth in the relevant laws and regulations and policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file with the CSRC. An unlisted domestic joint stock company may file with the CSRC for "full circulation" when its initial public offering and listing overseas takes place.

On December 31, 2019, China Securities Depository and Clearing Corporation Limited ("**CSDC**") and Shenzhen Stock Exchange ("**SZSE**") jointly issued the Measures for Implementation of H-share "Full Circulation" Business (《H股「全流通」業務實施細則》). The businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business" are subject to this measures for implementation. Where it is not specified in the measures for implementation, it shall be handled with reference to other operating rules of the CSDC, China Securities Depository and Clearing (Hong Kong) Company Limited and SZSE. On September 20, 2024, Shenzhen Branch of CSDC issued the Notice on Repealing the Business Guide to the "Full Circulation" of H-shares (《關於廢止H股「全流通」業務指南〉的通知》). Relevant matters of the "full circulation" of H-shares shall be handled in accordance with the Business Guide to the "Full Circulation" of H-shares of Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (《中國證券登記結算有限責任公司深圳分公司H股「全流通」業務指南》) promulgated and came into force on September 20, and September 23, 2024, respectively. On June 27, 2025, Shenzhen Branch of CSDC issued the Notice of the Revision and Issuance of the Business Guide to the "Full Circulation" of

H-shares by Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (《關於修訂並發佈〈中國證券登記結算有限責任公司深圳分公司H股「全流通」業務指南〉的通知》), which was implemented on June 30, 2025. The Business Guide to the "Full Circulation" of H-shares of Shenzhen Branch of China Securities Depository and Clearing Corporation Ltd promulgated on September 20, 2024 was simultaneously repealed.

Laws and Regulations on Foreign Investment

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》, the "**FIL**") promulgated by the National People's Congress of the PRC ("**NPC**") on March 15, 2019 and implemented on January 1, 2020, as well as the Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) promulgated by State Council on December 26, 2019 and implemented on January 1, 2020, foreign investment refers to the investment activities within the PRC carried out directly or indirectly by foreign investors (including foreign individuals, enterprises and other entities), including the following: (1) foreign investors establishing foreign-invested enterprises in the PRC individually or collectively with other investors; (2) foreign investors acquiring shares, equities, properties or other similar interests of PRC domestic enterprises; (3) foreign investors investing in new projects in the PRC individually or collectively with other investors; and (4) foreign investment through other ways prescribed by laws and regulations or the State Council of the PRC. According to the FIL, foreign investment in the PRC enjoys pre-establishment national treatment (i.e., treatment no less favorable than that accorded to domestic investment during the market entry phase). However, foreign-invested enterprises operating in "restricted" or "prohibited" industries listed on the negative list are required to obtain market access permits or other approvals.

Investment activities in the PRC by foreign investors are mainly regulated by the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition) (《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 (2022 Edition) (《鼓勵外商投資產業目錄(2022年版)》), which was promulgated by the MOFCOM and the NDRC in October 2022. Foreign investors are prohibited from investing in any prohibited sectors listed on the negative list and may only invest in a restricted sector after meeting the conditions specified on the negative list. The state protects the investments, returns, and other lawful rights and interests of foreign investors in the PRC in accordance with the law. It guarantees that foreign-invested enterprises can participate in the standard formulation work on an equal footing, and strengthens the information disclosure and social supervision of standard formulation.

While strengthening investment promotion and protection, the FIL further regulates foreign investment administration and proposes the establishment of a foreign investment information reporting system, which replaces the original approval and filing system established by the MOFCOM for foreign investment enterprises. Pursuant to the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) promulgated by the MOFCOM and the SAMR on December 30, 2019 and implemented on January 1, 2020, foreign investors who engage in investment activities directly or indirectly within the PRC shall have the foreign investors or foreign-invested enterprises submitted investment information to the competent department of commerce in accordance with the measures. Foreign investors or foreign-invested enterprises shall report investment information in a timely manner, adhere to the principles of truthfulness, accuracy and completeness. They must not make false or misleading reports and must not contain any material omissions.

In addition, according to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on December 19, 2020 and implemented on January 18, 2021, any foreign investment that has or possibly has an impact on national security shall be subject to security review in accordance with the provisions of the Measures for the Security Review of Foreign Investment. The state shall establish a working mechanism for the security review of foreign investment, which is responsible for organizing, coordinating, and guiding the work of security review of foreign investment. Foreign investors or relevant domestic parties shall proactively report to the Office of the Working Mechanism before the implementation of the investment falling within the following scope: (1) invest in military industry, military industry supporting facilities and other fields relating to national defense security, as well as investment in the surrounding areas of military facilities and military industry facilities; (2) invest in important agricultural products, important energy and resources, major equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technology and internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain the actual control of the invested enterprises.

Laws and Regulations on Foreign Exchange

In January 1996, the State Council promulgated the Regulations on the Foreign Exchange Control of the PRC (2008 Revision) (《中華人民共和國外匯管理條例(2008修訂)》), latest amended and implemented in August 2008. Pursuant to the regulations, RMB is freely convertible and can be used to pay foreign currency for current items, such as dividend distributions, interest payments, and trade and service-related foreign exchange transactions, without the approval from the State Administration of Foreign Exchange ("**SAFE**"). In contrast, approval from or registration with relevant government authorities is required where RMB is to be converted into foreign currencies and remitted out of the PRC to pay capital items such as direct investment, repayment of foreign currency loans, repatriation of investments and securities investment outside the PRC.

According to the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》) promulgated by SAFE on November 19, 2012, implemented on December 17, 2012 and latest amended on December 30, 2019, for the opening of various foreign exchange accounts, such as preliminary expenses accounts, foreign exchange capital accounts and margin accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces as well.

In 2013, the SAFE issued the Notice of the SAFE on the Issuance of the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors and Supporting Documents (《國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》) latest amended on December 30, 2019. It specifies that the administration and registration shall be carried out by SAFE or its local branches over direct investment by foreign investors in the PRC, and banks must handle foreign exchange business for direct investment in the PRC based on the registration information provided by the SAFE and its branches.

In February 2015, SAFE promulgated a Notice of the SAFE on Further Simplifying and Improving Foreign Exchange Administration Policy on 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》), which was amended on December 30, 2019. Instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from the SAFE, individuals and entities may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of the SAFE, may directly review the applications, process the registrations, and perform statistical monitoring and reporting responsibilities.

On March 30, 2015, the SAFE promulgated the Notice of the SAFE on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》, the "**Circular 19**"), which was latest amended and implemented on March 23, 2023. Pursuant to the SAFE Circular 19, foreign-invested enterprises are allowed, within the scope of business, to settle their foreign exchange capital in their capital accounts, for which the relevant foreign exchange authority has confirmed monetary capital contribution rights and interests (or for which the bank has registered the injection of the monetary capital contribution into the accounts), on a discretionary basis according to the actual needs of their business operations. The Notice of the SAFE on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》, the "**Circular 16**") promulgated by SAFE has come into effect since June 2016. The SAFE Circular 19 and the SAFE Circular 16 prohibit foreign-invested enterprises from using Renminbi converted from their foreign exchange capital for expenditures beyond their business scopes, providing entrusted loans, or repaying loans between non-financial enterprises.

In January 2017, the SAFE promulgated and implemented the Notice on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》, the "**Circular 3**"). It stipulates several capital control measures with respect to the remittance of profit from PRC domestic entities to offshore entities, including the following: (1) the banks must, under the genuine transaction principle, check board resolutions regarding profit distribution, the original tax filing records, and the audited financial statements; and (2) the PRC domestic entities must hold income to account for prior years' losses before remitting the profits in accordance with laws. Furthermore, according to the SAFE Circular 3, the PRC domestic entities must make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when handling registration procedures related to outbound investments.

On October 23, 2019, the SAFE issued Notice of the SAFE on Further Promoting the Facilitation of Cross Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》, the "**Circular 28**"), which was latest amended and implemented on December 4, 2023. The SAFE Circular 28 allows non-investment foreign-invested enterprises to use their capital for equity investment within the PRC with genuine investment projects, provided that they comply with valid foreign investment restrictions and other applicable laws.

Pursuant to the Notice of the SAFE on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, reforms to facilitate the payment of capital account income shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc. for domestic payment, without producing proof materials for veracity to the bank in advance for each transaction.

Laws, Regulations and Policies Relating to AI and AI Technologies

The rapid growth of AI market in the PRC is driven by various favorable factors, including government policies. On May 8, 2015, the State Council promulgated Made in China 2025 (《中國製造2025》). Made in China 2025 emphasizes the accelerated promotion of integrated development of new generation information technology and manufacturing technology, and regards intelligent manufacturing as the main direction of comprehensive integration of informatization and industrialization. It also underlines that efforts shall be made to develop intelligent equipment and intelligent products, promote intelligent production process, cultivate new production methods, and comprehensively enhance the intelligent level of research and development, production, management and service of enterprises.

On July 8, 2017, the State Council issued the Circular on the Development Planning of the New Generation of Artificial Intelligence (《關於印發新一代人工智能發展規劃的通知》). The circular provides three strategic steps in developing a new generation of artificial intelligence technology, and set forth the goal that PRC's AI technology shall reach leading level in the world and become one of the major AI innovation centers in the world. On November 8, 2018, the Ministry of Industry and Information Technology (the "**MIIT**") issued the Plan for Key Tasks in a New Generation of AI Innovation (《新一代人工智能產業創新重點任務揭榜工作方案》), encouraging the selection of a number of innovative companies based on key AI technologies to jointly strive to enhance products, platforms and services with advanced technologies and outstanding performance.

On December 21, 2018, MIIT issued the Guiding Opinions on Accelerating the Development of the Virtual Reality Industry (《關於加快推進虛擬現實產業發展的指導意見》), emphasizing the strengthening of collaborative cooperation among industry, academia, research institutions and users, and promoting research on basic theories, common technologies and application technologies related to virtual reality. Enterprises in this industry should adhere to the principle of driving the whole machine and guiding the system, focusing on key links such as virtual reality modeling, display, sensing, and interaction. They should intensify research and development efforts on key technologies such as dynamic environment modeling, real-time 3D graphics generation, multi-data processing, real-time motion capture, real-time positioning and tracking, and rapid rendering processing. They should also accelerate the research and development and industrialization of virtual reality visual graphics processing units (GPUs), physical processing units (PPUs), high-performance sensor processors, and new near-eye display devices. In response to the demands of information consumption upgrade and application requirements in various industries, enterprises in this industry should accelerate the research and development as well as industrialization of virtual reality complete machines, perception and interaction devices, content collection and production devices, development tool software, industry solutions, and distribution platforms, to enrich the effective supply of virtual reality products.

On November 10, 2019, the NDRC and other relevant 14 government issued the Implementation Opinions on Promoting the In-depth Integrated Development of Advanced Manufacturing and Modern Service Industry(《關於推動先進製造業和現代服務業深度融合發展的實施意見》), proposing to actively expand services of smart solutions to extend the application of information technology and artificial intelligence of the new generation. The innovative application of industrial Internet should be accelerated. The connection of all elements and the entire industrial chain of manufacturing should be promoted, the collaborative application ecosystem should be improved, and a digital, networked and intelligent manufacturing and service system should be built.

On June 30, 2020, the MIIT and other relevant 14 government authorities jointly issued the Implementation Opinions on Further Promoting the Development of Service-Oriented Manufacturing (《關於進一步促進服務型製造發展的指導意見》), which emphasizes promoting the innovative development of service-oriented manufacturing, comprehensively utilizing new-generation information technologies such as 5G, the Internet of Things, big data, cloud computing, artificial intelligence, virtual reality, and industrial Internet, establishing digital design and virtual simulation systems, developing personalized design, user-involved design, and interactive design, promoting the standardization of parts, the refinement of accessories, the modularization of components, and the personalized recombination of products, advancing the intelligent and flexible transformation of production and manufacturing systems, enhancing customized design and flexible manufacturing capabilities, and developing large-scale personalized customization services.

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 People's Republic of China (《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》), approved by the NPC on March 11, 2021, sets out the focus of key areas include high-end chips, operating systems, key AI algorithms, sensors etc., and the PRC shall accelerate the research and development in basic theories, basic algorithms, and equipment materials and make breakthroughs in such area. Pursuant to the Outline, the State actively promotes the optimization and upgrading of the manufacturing industry, supports the in-depth implementation of intelligent manufacturing and green manufacturing projects, proposes to foster advanced manufacturing clusters, promotes the innovation and development of industries such as integrated circuits and robots, promotes the high-end, intelligent and green development of the manufacturing industry, and cultivate the innovative development of advanced manufacturing clusters including robots.

The 14th Five-Year Plan for In-depth Integration of Informatization and Industrialization (《「十四五」信息化和工業化深度融合發展規劃》) issued by MIIT on 17 November, 2021, promotes the cooperation between manufacturing enterprises and information technology enterprises to facilitate the integrated application of technologies such as artificial intelligence, 5G, and advanced sensing and to develop new intelligent products including industrial-grade smart hardware, intelligent robots, intelligent connected vehicles, intelligent vessels, unmanned aerial vehicles, smart wearable equipment, and smart home devices. Scenario-based applications based on intelligent products shall be adopted to accelerate the introduction of these products in key sectors including industry, transport, medical, education, defensive science and technology, and health and elderly care, which shall both drive the industrial transformation and the upgrades of consumer spending.

On December 12, 2021, the State Council promulgated the Notice 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 aims to focus on sensors and other strategic and forward-looking fields, and enhance the basic research and development capabilities of digital technologies; requires enterprises to enhance the competitiveness of their core industries, focus on improving the supply level of basic software and hardware, core electronic components and other products, strengthen the self-sufficiency guarantee capacity of key products, boost the competitiveness of critical segments in the industrial chain, deepen the integrated innovation and converged application of new-generation information technologies, accelerate the innovation of platform-based, customized and lightweight service models, and create new advantages in emerging digital industries.

On July 29, 2022, the Ministry of Science and Technology and other five relevant governmental authorities jointly promulgated the Guiding Opinions on Accelerating Scene Innovation to Promote High-quality Economic Development through High-level Application of Artificial Intelligence (《關於加快場景創新以人工智能高水平應用促進經濟高質量發展的指導意見》), which proposes to encourage in-depth exploration of AI technology application scenarios in key industries.

On October 28, 2022, the Proposal for the Integration and Development of Virtual Reality and Industry Applications (2022–2026) (《虛擬現實與行業應用融合發展行動計劃(2022–2026年)》), jointly issued and implemented by MIIT and other four relevant government authorities, emphasizes refining the intrinsic growth capabilities of "virtual reality +" in key sub-sectors, including near-eye display, rendering processing, perception interaction, network transmission, content production, compression coding, and security and trustworthiness, strengthening the deep integration of virtual reality with next-generation information technologies such as 5G, AI, big data, cloud computing, blockchain and digital twins, thereby improving the enabling capabilities of "virtual reality +." Efforts shall be made to promote the coordinated construction of a capability system covering cloud, network, edge, and end. Support shall be provided for the research and development of application technologies that coordinate upstream and downstream of the industrial chain, target specific scenarios and own business potential. Measures shall be taken to fully improve the industrial supply capability of key components of virtual reality, terminal peripherals, business operation platforms, content production tools and specialized information infrastructure.

The National Development and Reform Commission (the "**NDRC**") released the Catalog for Guiding Industrial Structure Adjustment (2024 Version) (《產業結構調整指導目錄(2024年本)》) on December 27, 2023, which became effective from February 1, 2024. The Catalog lists robots and integrated systems, sensors and other products as encouraged development products, aiming to continuously enhance the core competitiveness of the manufacturing industry, promote quality improvement and brand building, and continuously drive the industry to leap toward mid-to-high-end levels, advance industrial technological transformation and optimization and upgrading with intelligent manufacturing as the primary focus, accelerate the promotion and application of new intelligent manufacturing technologies, and facilitate the shift in the industrial model of the manufacturing sector.

Laws, Regulations and Policies Relating to Chips and Integrated Circuit Industry

Laws, Regulations and Policies Relating to Chips and Integrated Circuit Industry The Decision of the State Council on Accelerating the Fostering and Development of Strategic Emerging Industries (《國務院關於加快培育和發展戰略性新興產業的決定》), which was promulgated and implemented by the State Council on October 10, 2010, emphasizes that based on the characteristics of strategic emerging industries and grounded in national conditions of the PRC and technological and industrial foundations, at this stage, the focus should be on cultivating and developing industries such as energy conservation and environmental protection, next-generation information technology, biotechnology, high-end equipment manufacturing, new energy, new materials, and new energy vehicles. Efforts shall be focused on the development of core fundamental industries, such as integrated circuits, new display technologies, high-end software, and high-end servers. Information service capabilities, including software services and network value-added services, shall be enhanced to accelerate the intelligent upgrading of critical infrastructure.

According to 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》), promulgated by the State Council on December 12, 2021, during the "14th Five-Year Plan" period, the PRC shall accelerate the promotion of digital industrialization, make up for the shortcomings of key technologies, and focus on breaking through key core technologies in fields such as high-end chips, operating systems, industrial software, core algorithms and frameworks, and strengthen the integrated research and development of key technologies for general-purpose processors, cloud computing systems and software.

On March 5, 2023, the first session of the 14th National People's Congress reviewed and approved the Report on the Implementation of the Central and Local Budgets for 2022 and Draft Central and Local Budgets for 2023 (《關於2022年中央和地方預算執行情況與2023年中央和地方預算草案的報告》) and the Draft Central and Local Budgets for 2023 (《2023年中央和地方預算草案》, the "**Draft Budgets**"). The Draft Budgets pointed out that the main income and expenditure policies for 2023 include promoting the optimization and upgrades of the industrial structure, insisting on building industrial development on the basis of scientific and technological support, and promoting the improvement of the industrial technological innovation system.

Laws and Regulations on Production and Business Operation

Product Liability

Pursuant to the PRC Product Quality Law (《中華人民共和國產品質量法》), which was promulgated on February 22, 1993 and latest amended 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 that threaten 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.

The Law on the Protection of the Rights and Interests of Consumers of the PRC (《中華人民共和國消費者權益保護法》, the "**Law on the Protection of the Rights and Interests of Consumers**") promulgated by Standing Committee of the NPC (SCNPC) October 31, 1993, latest amended on October 25, 2013 and implemented on March 15 2014 aims to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods or provide services to customers. According to the Law on the Protection of the Rights and Interests of Consumers, business operators shall guarantee that commodities or services provided by them meet the requirements on personal and property safety. For commodities and services which may endanger personal or property safety, business operators shall provide consumers with true explanations and clear warnings, and explain and indicate the correct methods of using commodities or receiving services and the methods for preventing damage. The Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests of the People's Republic of China (《中華人民共和國消費者權益保護法實施條例》, the "**Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests**") was promulgated by the State Council on March 15, 2024 and implemented on July 1, 2024. The Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests mainly refines and supplements the obligations of business operators and improve the relevant provisions on online consumption, strengthen the obligations of business operators with prepayment mode of consumption, regulate the behavior of consumer claims and clarify the responsibilities of the government for the protection of consumer rights and interests.

On May 28, 2020, the National People's Congress promulgated the PRC Civil Code (《中華人民共和國民法典》, the "**Civil Code**"), which was implemented on January 1, 2021. Under the Civil Code, if a product is found to be defective and to compromise the personal and property security of others, the victim may require compensation to be made by the manufacturer or the seller of the product. Where any manufacturer or seller knowingly produces or sells defective products or fails to take effective remedial measures in accordance with the Civil Code and thus causes death or serious damage to the health of another person, such person shall be entitled to claim punitive damages. If the transporter or storekeeper is responsible for the matter, the manufacturer or seller shall have the right to demand compensation for its losses.

Work Safety

According to the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) promulgated by the SCNPC on June 29, 2002, amended on June 10, 2021 and implemented on September 1, 2021, production and business operation entities must formulate safety production objectives and measures, improve the working environment and conditions of workers in a planned and step-by-step manner, establish a safety production guarantee system and implement a safety production post responsibility system. In addition, production and business operation entities must arrange safety production training and provide employees with personal protective equipment that meets national or industry standards. Furthermore, the production and business operation entities shall report the major hazard sources and related safety measures and emergency measures to the emergency management department and other relevant departments for the record, and formulate a safety risk rating control system and take corresponding control measures.

Import and Export Goods

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (the "**Foreign Trade Law**") promulgated by the SCNPC on May 12, 1994 and amended on December 30, 2022, since December 30, 2022, no registration of foreign trade operators is required. The PRC government allows the free import and export of goods and technologies, unless otherwise provided by laws and administrative regulations. Prior to December 30, 2022, pursuant to the Foreign Trade Law before amendment, a foreign trade operator who is engaged in the import and export of goods or technologies shall process the filing and registration with the foreign trade authority under the State Council or its entrusted agencies, unless otherwise provided by the laws, administrative regulations and requirements of the foreign trade authority under the State Council; failing which, the customs shall not handle the formalities for declaration and clearance of the goods imported or exported by the operator.

Pursuant to the Regulations of the People's Republic of China on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》, the "**Regulations on the Administration of Import and Export of Goods**") promulgated by the State Council on December 10, 2001, latest amended on March 10, 2024 and implemented on May 1, 2024, trade activities involving the import of goods into the customs boundary of the PRC or export of goods to a place outside the customs boundary of the PRC shall be subject to the Regulations on the Administration of Import and Export of Goods. Goods whose import or export is prohibited shall not be imported or exported; goods whose import or export is restricted shall be subject to a licensing or quota administration; and goods whose import or export is free shall not be subject to restriction. An import or export business operator shall complete the formalities with the customs office for customs clearance based on a relevant import or export license or import or export quota license.

According to the Customs Law of the PRC (《中華人民共和國海關法》, the "**Customs Law**") considered and adopted by the SCNPC on January 22, 1987, latest amended on April 29, 2021 and implemented on the same date, the Customs of the PRC is the state's entry and exit customs supervision and administration authority. In accordance with the Customs Law and other relevant laws and administrative regulations, the customs are responsible for the supervision of the transport vehicles, goods, freight items, postal items and other items entering and departing from the PRC and collecting tariff and other duties and charges. All imported goods, throughout the period from arrival in the territory to the customs clearance, all exported goods, throughout the period from declaration to the customs to departure from the territory, and transit, transshipment and through goods, throughout the period from arrival in the territory to departure from the territory shall be subject to the supervision of the customs. Unless otherwise specified, 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. In addition, 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 of the PRC (the "**General Administration of Customs**") on November 19, 2021 and implemented on January 1, 2022, consignees and consignors of import and export goods and customs declaration enterprises shall complete the filing formalities with the relevant administration department of customs office for declaration in accordance with the law.

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》, the "**Environmental Protection Law**") promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014 and implemented on January 1, 2015 and other relevant laws and regulations of PRC, the Ministry of Environment Protection and local environmental protection departments are responsible for the supervision and management of environmental protection work. Environmental protection authorities impose various administrative penalties on individuals or enterprises in violation of the Environmental Protection Law. Such penalties include fines, orders to rectify within a prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant responsible persons, and orders to shut down enterprises. Any individuals or entity that pollutes the environment resulting in damage could also be held liable under the PRC Civil Code. In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

The Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》, the "**Environmental Impact Assessment Law**") was promulgated by the SCNPC on October 28, 2002 and latest amended on December 29, 2018. According to the Environmental Impact Assessment Law, the State Council implements classified management of environmental impact assessments for construction projects based on the degree of environmental impact of such projects. In addition, if a construction unit starts construction without submitting the environmental impact report or statement form of a construction project for approval, or fails to resubmit the environmental impact report or statement form for approval or re-review, the ecological and environmental competent authority at or above the county level shall order the suspension of construction. Depending on the extent of the violation and the harm caused, a fine of not less than 1% but not more than 5% of the total investment of the construction project shall be imposed, and the unit may be ordered to restore the original state; the person in charge of the construction project and other responsible persons shall be given administrative sanctions in accordance with the law.

According to the Regulations on the Administration of Construction Project Environmental Protection (《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, the state practices the construction project environmental impact evaluation system. Environmental protection facilities required to be constructed in a construction project have to be designed, constructed and put into operation along with the main construction.

Following the completion of construction projects for which the environment impact reports and environmental impact statements are prepared, the attached environmental protection facilities shall be available for acceptance and the acceptance report shall be prepared accordingly. For construction projects constructed and put into production or use by stages, the acceptance shall be conducted in stages. Such environmental protection facilities constructed along with the projects are allowed to be put into production or use upon acceptance.

Where the attached environmental protection facilities are put into production or use before completion, conducting the acceptance inspection or passing such inspection, or where there are fraudulent practices during the acceptance inspection of those facilities, the competent department at the county level shall order for corrections within a specified time limit and may impose a fine. A fine may also be imposed on the persons directly in charge and other responsible personnel. If such acts cause a serious environmental pollution or ecological damage, the environmental protection facilities shall be ordered to cease production or use; or shall be referred to the people's government with the appropriate authority for an order to close down the operation.

Fire safety

Pursuant to Fire Protection Law of the PRC (《中華人民共和國消防法》), which was promulgated by SCNPC on April 29, 1998, last amended and implemented on April 29, 2021, the Ministry of Emergency Management under the State Council and local people's governments at or above county level shall monitor and administer fire prevention work, while the fire and rescue authorities of the respective people's governments are responsible for implementation. The fire prevention design of a construction project shall conform to the national technical standards of fire prevention. Where a construction project should have undergone a review for fire protection design in accordance with the law or has failed the same, the construction may not commence. Where a completed construction project has not undergone fire safety inspection or failed to meet its requirements, the project shall not be put into use or operation.

Pursuant 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》), which was promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, implemented on June 1, 2020 and latest amended on August 21, 2023, the fire protection design review system is applicable to special construction projects such as workshops for production and processing of labor-intensive enterprises, with a total floor area exceeding two thousand five hundred square meters. Where such project completes construction and undergoes completion acceptance procedures, the construction unit shall apply for fire protection completion acceptance to the competent authorities who are responsible for fire protection design review and completion acceptance. Projects that do not undergo or fail a review for fire protection design shall not be put into use. For the classified management of other construction projects, a filing and random inspection system shall be implemented. Any other construction projects that fail random inspections conducted in accordance with the law shall be suspended from use.

House leasing

Pursuant to Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》), which was promulgated by SCNPC on July 5, 1994, latest amended on August 26, 2019 and implemented on January 1, 2020, the lessor and lessee shall enter into a written leasing contract specifying terms and conditions such as the leasing term, leasing purpose, rents and responsibility for maintenance and repair, etc. as well as any other rights and obligations of both parties and register the same with the real estate administration authorities.

In addition, pursuant to 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 on December 1, 2010 and implemented on February 1, 2011, the lessor and lessee shall, within 30 days from the date of the house leasing contract, register the same for recordation with the construction (real estate) department of the municipal, city, or county-level people's government where the leased property is located. Where an individual or entity violates the above provisions, the construction (real estate) department of the municipal, city, or county-level people's government shall order rectification within a prescribed time limit. Where an individual fails to rectify within the time limit, a fine of not more than RMB1,000 shall be imposed; where an entity fails to do so, a fine of not less than RMB1,000 but not more than RMB10,000 shall be imposed.

Laws and Regulations on Intellectual Property Rights

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the "**Patent Law**"), which was promulgated on March 12, 1984, latest amended on October 17, 2020 and implemented on June 1, 2021, and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), which was amended on December 11, 2023 and implemented on January 20, 2024, subsequent to the grant of a patent right for an invention or utility model, no entity or individual may, without the authorization of the patentee, exploit the patent, that is, they may not, for production or business purposes, manufacture, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import the product directly obtained by the patented process, unless otherwise provided in the Patent Law. Subsequent to the grant of a design patent right, no entity or individual may, without the authorization of the patentee, exploit the design, that is, they may not, for production or business purposes, manufacture, offer to sell, sell or import the design patent product. Where an infringement is confirmed in accordance with relevant regulations, the infringer may be ordered to cease the infringing activities, undertake corrective measures, and compensate for losses.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) (the "**Trademark Law**"), which was promulgated by SCNPC on August 23, 1982, last amended on April 23, 2019 and implemented on November 1, 2019, and the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which was promulgated by the State Council on August 3, 2002, latest amended on April 29, 2014 and implemented on May 1, 2014, set forth provisions concerning trademark registration, including application, examination, approval, renewal, modification, transfer, use, and invalidation, as well as the protection of the exclusive trademark rights enjoyed by the registrant. Under the Trademark Law and the Implementation Regulation of the Trademark Law of the PRC, "first-to-file" principle is adopted for trademark registration in the PRC. A trademark registration application in relation to a product trademark which is identical or similar to an unregistered trademark previously used by another party may be rejected. The Trademark Office of China National Intellectual Property Administration (the "**Trademark Office**") is responsible for trademark registration. A registered trademark is valid for ten years, commencing from the date of its approval. To renew a trademark upon the expiration of its term, the registrant shall apply for renewal within twelve months before the expiry date in accordance with the requirements. If an application is not filed during this period, a grace period of six months may be granted. Each renewal of registration is valid for ten years, calculated from the day following the expiration of the previous term. The Trademark Office shall announce the renewal of registration.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on September 7, 1990, latest amended on November 11, 2020 and implemented on June 1, 2021, and the Implementation Regulation of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》), which was promulgated by the State Council on August 2, 2002, latest amended on January 30, 2013 and implemented on March 1, 2013, PRC citizens, legal persons or unincorporated organizations shall enjoy copyright in their works, whether published or not. A work refers to any original intellectual creations in the fields of literature, art, and science that can be expressed in a particular form, including literary works, oral works, photographic works, audiovisual works, and computer software. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

Pursuant to the Regulation on Computers Software Protection (《計算機軟件保護條例》), which was promulgated by the State Council on December 20, 2001, latest amended on January 30, 2013 and implemented on March 1, 2013, and the Measures for the Registration of Computer Software Copyrights (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration of the PRC (the "**National Copyright**

Administration") on February 20, 2002, the National Copyright Administration is mainly responsible for the registration and management of software copyrights in the PRC and has designated the China Copyright Protection Center as the software registration authority. The China Copyright Protection Center may establish local software registration offices and shall report to the National Copyright Administration for filing within one month of their setup. The China Copyright Protection Center shall grant registration certificates to computer software copyright applicants who comply with the Regulation on Computers Software Protection and the Measures for the Registration of Computer Software Copyrights and make an announcement thereon.

Domain names

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on August 24, 2017 and implemented on November 1, 2017, the Implementation Rules for Registration of China Country Code Top-level Domain Names (《國家頂級域名註冊實施細則》), which was promulgated by the China Internet Network Information Center on June 18, 2019 and implemented on the same date, domain name owners shall register their domain names. MIIT is responsible for the supervision and administration of Internet domain names in the PRC, while the communications administrations of provinces, autonomous regions, and municipalities directly under the central government are responsible for the supervision and administration of domain name services within their respective administrative regions. The "first-to-file" principle is applied to the domain name services. Applicants for domain name registration shall provide the domain name registrar with true, accurate, and complete information related to the applied domain name and enter into a registration agreement with the registrar. Upon completion of the registration process, the applicant shall become the holder of the relevant domain name. Pursuant to the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was issued on November 27, 2017 and implemented on January 1, 2018, internet access service providers shall verify the identity of internet information service providers and shall not provide services to those who fail to produce authentic identity information.

Trade secrets

The Anti-Unfair Competition Law (《反不正當競爭法》) was promulgated by the SCNPC on September 2, 1993, and amened on November 4, 2017, April 3, 2019 and June 27, 2025. The current version in effect is the version amended on April 23, 2019, and the version amended on June 27, 2025 will come into effect on October 15, 2025. Pursuant to the prevailing Anti-Unfair Competition Law, trade secrets refer to technical and operational information that is not publicly known, has practical applicability, can generate commercial benefits or profits for its lawful owner or holder, and is kept confidential by such owner or holder. Under the Anti-Unfair Competition Law, individuals shall not infringe upon other's trade secrets. Parties whose trade secrets have been misappropriated may seek administrative remedies, whereby regulatory authorities may order the cessation of illegal acts and impose fines on infringers.

Laws and Regulations on Labor and Social Security

Labor relations

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994 and amended and implemented on December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, latest amended on December 28, 2012 and implemented on July 1, 2013, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council on September 18, 2008 and implemented on the same date, employers shall establish and improve labor rules and regulations in accordance with the law, strictly comply with national standards, and provide relevant training to workers to ensure workers enjoy their labor rights and perform their labor obligations. Employers shall enter into written labor contracts with their workers upon establishing labor relations. Labor contracts are categorized into fixed-term labor contracts, non-fixed term labor contracts, and labor contracts for a task. The wages paid by employers to workers shall not be lower than the local minimum wage standard. Additionally, employers shall establish and strengthen occupational safety and health systems, strictly implement national occupational safety and health regulations and standards, provide occupational safety and health education to workers, prevent accidents during the work process, and reduce occupational hazards.

Social insurance and housing provident funds

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and latest amended and implemented 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》), which was promulgated by the State Council on January 22, 1999 and latest amended and implemented on March 24, 2019, Decisions of the State Council on Establishing the Urban Employees' Basic Medical Insurance System (《國務院關於建立城鎮職工基本醫療保險制度的決定》), which was promulgated by the State Council on December 14, 1998 and implemented on the same date, Decisions of the State Council on Establishing a Unified Basic Pension Insurance System for Enterprise's Employees (《國務院關於建立統一的企業職工基本養老保險制度的決定》), which was promulgated by the State Council on July 16, 1997 and implemented on the same date, the Regulations on Work-Related Injury Insurance (《工傷保險條例》), which was promulgated by the State Council on April 27, 2003, amended on December 20, 2010 and implemented on January 1, 2011, the Regulations on Unemployment Insurance (《失業保險條例》), which was promulgated by the State Council on January 22, 1999, the Provisional Measures for Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), which was promulgated by the Ministry of Labor and Social Security of the PRC (now defunct) on December 14, 1994 and implemented on January 1, 1995, enterprises shall contribute to basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, and employment injury insurance for their employees based on the statutory contribution base and contribution rates. Basic pension insurance, basic medical insurance, and unemployment insurance are jointly borne by both employers and employees, whereas maternity insurance and employment injury insurance are solely borne by enterprises. Where an employer fails to pay social insurance contributions in full and on time, the social insurance collection agency shall order it to make or supplement the payment within a prescribed time limit and a late fee of 0.0005% per day shall be charged from the date of default. Where the payment is still not made after the deadline, the relevant administrative authority may impose a fine of one to three times the amount in arrears.

Pursuant to the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999, amended on March 24, 2019 and implemented on the same date, employers shall register with the housing provident fund administrative center for contributions and open accounts for their employees. Employers shall also make contributions to the housing provident fund in full and on time. Where an employer fails to register or open an account for its employees, the housing provident fund administrative center shall order it to complete the procedures within a prescribed time limit; failing which, a fine of not less than RMB10,000 but no more than RMB50,000 shall be imposed. In case of overdue payment or underpayment by employers, orders for payment within a prescribed time limit shall be made by the housing provident fund administrative center. Where employers fail to make payment within such period, the housing provident fund administrative center may apply to the People's Court for enforcement.

Pursuant to the Supreme People's Court's Interpretation (II) on 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)》(法釋[2025]12號)), which was promulgated by the Supreme People's Court on July 31, 2025 and took effect on September 1, 2025, where an employer and an employee agree, or an employee undertakes to the employer, that social insurance contributions are not required to be paid, the People's Court shall determine that such agreement or undertaking is invalid. Where an employer fails to pay social insurance contributions in accordance with the law, and the employee requests termination of the employment contract pursuant to item (3) of Article 38 of the Labor Contract Law of the People's Republic of China and claims statutory economic compensation from the employer, the People's Court shall support such claim in accordance with the law. Under the circumstances set out in the preceding paragraph, after the employer has made supplementary payment of the social insurance contributions in accordance with the law, if the employer requests the employee to refund the social insurance contribution compensation already paid, the People's Court shall support such request in accordance with the law.

Laws and Regulations on Tax

Corporate income tax

Pursuant to the Corporate Income Tax Law (《企業所得稅法》), which was promulgated by the SCNPC on March 16, 2007, latest amended and implemented on December 29, 2018, and the Implementation Regulations of the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007, latest amended on December 6, 2024 and implemented on January 20, 2025, an enterprise established in the PRC according to the law, or established under the laws of a foreign country (region) but with actual management body located within the PRC, shall be classified as a resident enterprise. Resident enterprises shall pay enterprise income tax on their income derived from both within and outside the PRC at a tax rate of 25%. Qualified small and low-profit enterprises shall be subject to enterprise income tax at a reduced rate of 20%. Preferential enterprise income tax treatment shall be granted to industries and projects that are prioritized for support and encouraged for development. New and high-tech enterprises that require key support shall be subject to enterprise income tax at a reduced rate of 15%.

Value-Added Tax

Pursuant 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》), which was latest amended and implemented on November 19, 2017, and the Detailed Rules for the Implementation of the Interim Regulations on Value-added Tax of the PRC (2011 Revision) (《中華人民共和國增值稅暫行條例實施細則(2011修訂)》), which was promulgated on December 25, 1993, amended on October 28, 2011 and implemented on November 1, 2011, entities and individuals that sell goods, provide processing, repair, or replacement services, or import goods within the PRC shall pay value-added tax ("**VAT**"). The tax payable is calculated as the "output tax" offset by the "input tax." The general VAT rate is 17%, while in certain restricted cases, it is 11% or 6% (as the case may be).

Pursuant to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《關於全面推開營業稅改徵增值稅試點的通知》), which was jointly promulgated by the MOF and the STA on March 23, 2016 and came into effect on May 1, 2016, and amended on July 11, 2017 and March 20, 2019, as approved by the State Council, the pilot program to replace business tax with VAT was implemented nationwide starting from May 1, 2016. All business taxpayers in industries such as construction, real estate, finance, and life service are included in the pilot program, shifting from paying business tax to paying VAT. Pursuant to the Notice on the Relevant Policies on the Streamlining and Combination of Value-added Tax Rates (《關於簡並增值稅稅率有關政策的通知》), which was jointly promulgated by the MOF and the STA on April 28, 2017, and implemented on July 1, 2017, the VAT rate structure was streamlined and combined: the 13% VAT rate was eliminated, and the scope of goods applicable to the 11% rate and the rules for crediting input tax were clarified.

Pursuant to the Notice of the MOF and the STA on Adjusting Value-added Tax Rate (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was implemented on May 1, 2018, the tax rates of 17% and 11% applicable to any taxpayers engaged in VAT taxable sales or import of goods shall be adjusted to 16% and 10%, respectively.

Pursuant to the Announcement No. 39 [2019] of the MOF, the STA and the General Administration of Customs, Announcement of the MOF, the STA and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、國家稅務總局、海關總署關於深化增值稅改革有關政策的公告》) was implemented on April 1, 2019. The tax rate of 16% applicable to any taxpayers engaged in VAT taxable sales or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

Withholding tax on dividend

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was promulgated on August 21, 2006, and implemented on December 8, 2006, the withholding tax rate on dividends paid by a PRC company to a Hong Kong resident shall not exceed 5%, provided that the recipient is a company holding at least 25% of the capital of the PRC company. Where the recipient is a company holding less than 25% of the capital of the PRC company, the withholding tax rate on such dividends shall not exceed 10%.

Pursuant to Administrative Measures on Entitlement of Non-residents Taxpayers to Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the STA on October 14, 2019 and implemented on January 1, 2020, non-resident taxpayers enjoying tax treaty benefits shall follow the method of "self-assessment, declaration for enjoyment, and retention of relevant data for future inspection." Where non-resident taxpayers determine that they meet the conditions for enjoying treaty benefits, they may claim such benefits either when filing tax returns or through withholding agents at the time of withholding declarations. Meanwhile, they shall compile and retain relevant documentation for future inspection and shall be subject to subsequent administration by the tax authorities.