THE PRC LAWS, REGULATIONS AND POLICIES

This section sets out summaries of main PRC laws, regulations and policies, which are relevant to the current daily business operations of the Company in China.

MAJOR REGULATORY AUTHORITIES

We mainly engage in the research and development, design, and sales of multimedia intelligent terminal SoC chips. The major regulatory authority overseeing our business activities in the industry is the Ministry of Industry and Information Technology of the PRC (the "MIIT"), and the self-discipline organization is China Semiconductor Industry Association (the "Semiconductor Association"). The MIIT and the Semiconductor Association form the management system of the integrated circuit industry.

POLICIES RELATING TO THE INTEGRATED CIRCUIT INDUSTRY

Support Policies for the Integrated Circuit Industry

In June 2014, the State Council of the People's Republic of China (the "State Council") issued the Outline for Advancing the National Integrated Circuit Industry (《國家集成電路產業發展推進綱要》), stating that the development goal of the integrated circuit industry is to achieve international advanced level in the main sections of the integrated circuit industry chain by 2030, and a number of companies will enter the top international echelon, realizing leaping development. The main task and development focus are on the development of the integrated circuit design industry, and strengthening the design of the integrated circuit, software development, system integration and collaborative innovation in content and services around the industry chain in key areas, driving the development of manufacturing through rapid growth in the design industry.

In November 2016, the State Council issued the Notice of the State Council on the "13th Five-Year Plan" for the Development of National Strategic Emerging Industries (《國務院關於印發"十三五"國家戰略性新興產業發展規劃的通知》), initiating the major productivity layout planning project for the integrated circuit and implementing a batch of projects with strong driving effects to promote the rapid upgrade of industrial capabilities. It accelerates the construction of production lines for advanced manufacturing processes, memory and specialized processes, enhances the design and development capabilities and application level of key products such as secure and reliable CPUs, analog-to-digital/digital-to-analog converter chips and digital signal processing chips, and promotes the rapid development of packaging testing, key equipment and materials industries.

In July 2020, the State Council announced Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries 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若干政策》) to further optimize the development environment for these industries, deepen international cooperation, enhance innovation capabilities and improve development quality. A series of supportive policies related to finance and taxation, investment and financing, research and development, import and export, talent, intellectual property, market application and international cooperation were introduced.

In December 2021, the State Council issued the Notice of the State Council on the "14th Five-Year Plan" for the Development of Digital Economy (《國務院關於印發"十四五"數字經濟發展規劃的通知》), which stated that during the 14th Five-Year Period, efforts should be made to enhance key technological innovation capabilities, targeting strategic and forward-looking fields such as sensors, quantum information, network communication, integrated circuit, key software, big data, artificial intelligence, blockchain and new materials. The advantages of our socialist system, new type of nationwide system and ultra-large-scale market should be leveraged to improve the foundational R&D capabilities of digital technologies, fill the gaps in key technologies, optimize and innovate organizational methods such as "Open Competition Mechanism", focus on breakthroughs in critical core technologies in high-end chips, operating systems, industrial software, core algorithms and frameworks, and strengthen the integrated R&D of key technologies for general processors, cloud computing system and software.

In December 2023, the NDRC issued the Industrial Restructuring Guidance Catalog (2024 version) (《產業結構調整指導目錄(2024年本)》), in which the integrated circuit is listed as the twenty-eighth category of the information industry in the first category of encouraged industries. The Company mainly engages in the integrated circuit design, which belongs to the first category of encouraged projects in the Catalog.

Preferential Tax Policies for the Integrated Circuit Industry

In December 2020, the MOF, the State Taxation Administration (the "STA"), the NDRC and the MIIT jointly issued the Announcement on Enterprise Income Tax Policies for Promoting High-quality Development of Integrated Circuit Industry and Software Industry (《關於促進集成電路產業和軟件產業高質量發展企業所得稅政策的公告》. According to these provisions, key integrated circuit design enterprises and software enterprises encouraged by the State will be exempt from corporate income tax for the first to fifth years starting from the profit-making year, and in the following years, they will be taxed at a reduced rate of 10%.

In March 2021, the MOF, the General Administration of Customs (the "GAC") and the STA jointly issued the Notice of the Ministry of Finance, the General Administration of Customs and the State Taxation Administration on Import Tax Policies to Support the Development of Integrated Circuit Industry and Software Industry (《財政部、海關總署、稅務總局關於支持集成電路產業和軟件產業發展進口稅收政策的通知》). The imports that meet the conditions specified in this regulation will be exempt from import duties, with the implementation period from July 27, 2020 to December 31, 2030.

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

In April 2023, the MOF and the STA jointly issued the Notice of the Ministry of Finance and the State Taxation Administration on the Weighted Deduction Policy for Value-added Tax on Integrated Circuit Enterprises (《財政部、稅務總局關於集成電路企業增值稅加計抵減政策的通知》). From January 1, 2023 to December 31, 2027, enterprises engaged in integrated circuit design, production, packaging testing, equipment and materials are allowed to deduct 15% of the current deductible input tax amount from their payable value-added tax.

In March 2025, the NDRC, the MOF, the GAC and the STA jointly issued the Notice of the National Development and Reform Commission and Other Departments on the Formulation of the List of Integrated Circuit Enterprises or Projects and Software Enterprises Enjoying Preferential Tax Policies in 2025 (《國家發展改革委等部門關於做好2025年享受稅收優惠政策的集成電路企業或項目、軟件企業清單制定工作的通知》), which listed the following areas as key integrated circuit design fields: (1) high-performance processors and FPGA chips; (2) storage chips; (3) smart sensors; (4) industrial, communication, automotive and security chips; (5) EDA, IP and design services. Key integrated circuit design enterprises encouraged by the State can enjoy preferential tax policies if they meet indicators such as R&D personnel and financial data.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Company Regulations

The establishment, operation and management of corporate entities in China are regulated by the Company Law of the People's Republic of China (the "Company Law of China"), which was promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on December 29, 1993, and was latest amended on December 29, 2023, coming into effect on July 1, 2024. Limited liability companies and joint stock companies established in China are subject to the Company Law of China. Unless otherwise specified by laws governing foreign investment, foreign-invested companies are also regulated by the Company Law of China.

Regulation and Access of Foreign Investment

The Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》), which was promulgated by the NPC on March 15, 2019 and implemented on January 1, 2020, establishes the management system for pre-access national treatment and negative list for foreign investment in the PRC. Pre-access national treatment means that foreign investors and their investments shall be treated no less favorably than domestic investors and their investments at the stage of investment access; negative list refers to the special administrative measures for access of foreign investment in specific fields as prescribed by the PRC. The PRC gives national treatment to foreign investment outside the negative list.

In addition, the Regulation for Implementing 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"), which was promulgated by the NPC on December 26, 2019 and came into effect on January 1, 2020, further stipulates that the PRC shall, according to the needs of national economic and social development, formulate a catalog of encouraged foreign-invested industries, and specify the specific industries, fields and regions in which foreign investors are encouraged and guided to invest.

The NDRC and the Ministry of Commerce (the "MOC") jointly revised and issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "Negative List") on September 6, 2024, which came into effect on November 1, 2024, to replace the previous negative list thereunder. Domestic enterprises engaged in businesses in the fields prohibited for investment on the Negative List must obtain approval from the relevant competent departments of the PRC before issuing shares and being listed for trading abroad. Foreign investors are not allowed to participate in the operation and management of the enterprise, and their shareholding should refer to the regulations regarding the management of foreign investors' domestic securities investment.

Security Review on Foreign Investment

According to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) issued by the NDRC and the MOC on December 19, 2020 and effective from January 18, 2021, foreign investments that affect or may affect national security are subject to security review according to these measures. Foreign investors or relevant domestic parties should proactively report to the working mechanism office before investments in the following areas: (1) investments in fields related to national defense security such as military industries and military support industries, as well as investments in the surrounding areas of military facilities and military production facilities; (2) investments in important agricultural products, important energy and resources, major equipment manufacturing, important infrastructure, critical transportation services, essential cultural products and services, important information technology and internet products and services, vital financial services, key technologies and other significant fields related to national security in which they acquire actual control over the invested enterprises.

REGULATIONS RELATING TO OVERSEAS INVESTMENT

Pursuant to the Administrative Measures for Overseas Investments (《境外投資管理辦法》) which was promulgated by the MOC on March 16, 2009, latest amended on September 6, 2014 and came into effect on October 6, 2014, the MOC and provincial competent commerce departments shall conduct filing and approval management depending on different circumstances of overseas investments of enterprises. Overseas investments involving any sensitive country, region or sensitive industry shall be subject to approval management, while overseas investments under other circumstances shall be subject to filing management. After completing the legal procedures abroad, enterprises that invest in overseas enterprises engaged in overseas reinvestment should report to the competent commerce departments.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to 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》) issued by the State Administration of Foreign Exchange (the "SAFE") on February 13, 2015 and effective from June 1, 2015, the verification and approval of foreign exchange registration of overseas direct investment is abolished. The banks shall directly examine and handle foreign exchange registration of overseas direct investment. The SAFE and its branches shall conduct indirect regulation of foreign exchange registration of overseas direct investment via banks.

Pursuant to the Administrative Measures for Overseas Investments by Enterprises (《企業境外投資管理辦法》) which was promulgated by the NDRC on December 26, 2017 and came in effect on March 1, 2018, an enterprise located in the PRC (the "Investor") making an overseas investment shall go through such formalities as the approval and filing for the overseas investment project (the "Project(s)"), the reporting of relevant information, and the cooperation in the supervision and inspection over the overseas investment. Sensitive Projects carried out by Investors directly or through overseas enterprises controlled by them shall be subject to approval, while non-sensitive Projects directly carried out by Investors, namely, the non-sensitive Projects involving Investors' direct investment of assets and equities or the provision of financing or guarantees, shall be subject to filing. The aforementioned sensitive Project means a project involving a sensitive country or region or a sensitive industry. The NDRC promulgated the catalog of Sensitive Industries for Overseas Investment (2018 version) (《境外投資敏感行業目錄(2018年版)》), effective on March 1, 2018 to list the sensitive industries for overseas investment in detail.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the People's Republic of China (《中華人民共和國專利法》) (the "Patent Law") promulgated by the SCNPC on March 12, 1984, latest amended on October 17, 2020 and came into effect on June 1, 2021, and the Implementing Rules of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001, latest amended on December 11, 2023 and came into effect on January 20, 2024, there are three types of patents, namely invention, utility model and design. The duration of patent rights for an invention shall be 20 years, the duration of patent rights for a utility model shall be 10 years and the duration of patent rights for a design shall be 15 years, commencing from the application date.

Trademark

Pursuant to the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, latest amended on April 23, 2019 and came into effect on November 1, 2019, and the Implementation Rules of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》) promulgated by the

State Council on August 3, 2002, latest amended on April 29, 2014 and came into effect on May 1, 2014, trademarks approved and registered by the Trademark Bureau are registered trademarks, and trademark registrants enjoy exclusive rights to use trademark and are protected by the law. The validity period of a registered trademark is ten years, commencing from the date of registration.

Copyright

Pursuant to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, latest amended on November 11, 2020 and came into effect on June 1, 2021, and the Implementation Regulations of the Copyright Law of the People's Republic of China (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, latest amended on January 30, 2013 and came into effect on March 1, 2013, Chinese citizens, legal persons or organizations without legal personality enjoy copyright over their works, whether published or not, in accordance with the Law. Works refer to original intellectual achievements in the fields of literature, art and science which can be expressed in a certain form. A copyright holder shall enjoy a number of personal rights and property rights, including publication right, the right of authorship and the right of revision.

Pursuant to the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991, latest amended on January 30, 2013 and effective from 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》) amended by the National Copyright Administration on April 6, 1992 and February 20, 2002, computer software refers to computer programs and related files. Chinese citizens, legal persons or other organizations enjoy the copyright of the software he/it has developed, whether the software is released publicly or not. Software copyright commences from the date on which the development of the software is completed. The protection period for software copyright of a legal person or other organization shall be 50 years, concluding on December 31 of the 50th year after the software's initial release. But if the software has not been released within 50 years from the date on which the software development is completed, it shall no longer receive protection.

Layouts Design of Integrated Circuit

Pursuant to the Regulations on the Protection of the Layout Design of Integrated Circuits (《集成電路佈圖設計保護條例》) (the "Regulations on the Protection") promulgated by the State Council on April 2, 2001 and effective from October 1, 2001, where Chinese natural persons, legal persons or other organizations create layout designs, they shall enjoy the proprietary rights in the layout designs in accordance with the Regulations on the Protection. Proprietary rights in layout designs shall become valid after being registered with the administrative department of the State Council responsible for intellectual property. Unregistered layout designs are not protected by the Regulations on the Protection. The protection period of the proprietary rights in a layout design is 10 years, commencing from the date of the application for registration of the layout design or the date that it is put into commercial use anywhere in the world for the first time, whichever is earlier. However, regardless of whether or not a layout design is registered, or whether or not it is put into commercial use, it shall no longer be protected by the Regulations on the Protection after 15 years from the date of its creation.

Domain Name

Pursuant to the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective from November 1, 2017, the MIIT is responsible for the supervision and administration over domain name services nationwide. No organization or individual shall disrupt the security and stable operation of the Internet domain name system.

LAWS AND REGULATIONS RELATING TO CYBER SECURITY AND DATA SECURITY

National Security Review

Pursuant to the State Security Law of the People's Republic of China (《中華人民共和國國家安全法》) promulgated and implemented by the SCNPC on July 1, 2015, national security refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other vital interests of the State, and the capability to maintain a sustained security status are not faced with any danger and not threatened internally or externally.

Cyber Security

According to the Cyber Security Law of the People's Republic of China (《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, for the purpose of constructing and operating of a network or providing services through a network, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, effectively cope with cyber security events, prevent criminal activities committed on the network, and protect the integrity, confidentiality and availability of network data.

Pursuant to the Measures for Cyber Security Review (《網絡安全審查辦法》) jointly promulgated by the Cyberspace Administration of China and other departments on December 28, 2021 and effective from February 15, 2022, operators of critical information infrastructure purchasing network products and services, and network platform operators carrying out data processing activities that affect or may affect national security, shall be subject to a cyber security review.

Data Security

Pursuant to the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) promulgated by the SCNPC on June 10, 2021 and effective from September 1, 2021, the State established a data classification and hierarchical protection system to conduct classified and hierarchical protection of data. Entities carrying out data processing activities shall establish a sound data security management system throughout the whole process, 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.

REGULATIONS RELATING TO LAND AND REAL ESTATE

Owned Properties

Pursuant to the Law on Administration of Urban Real Estate of the People's Republic of China (《中華人民共和國城市房地產管理法》) promulgated on July 5, 1994 and latest amended on August 26, 2019, the acquisition of land use rights for real estate development within the urban planning area of state-owned land, for engaging in real estate development, real estate transactions and implementing real estate management, must comply with this Law.

Lease Properties

Pursuant to the Law on Administration of Urban Real Estate of the People's Republic of China (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC on July 5, 1994, latest amended on August 26, 2019 and effective from January 1, 2020, the lessor and the lessee shall enter into a written lease contract for leasing of building to stipulate the term of lease, purpose of the lease, lease price, maintenance and repair liability etc., and any other rights and obligations of both parties. The lease contract shall be registered and filed with the real estate administration authorities.

In addition, according to the Management Measures for the Lease of Commercial Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and effective from February 1, 2011, the lessor and the lessee shall complete property leasing registration and filing formalities within 30 days from execution of the property lease contract. Individuals or organizations who violate the foregoing provisions shall be ordered to make correction within a stipulated period; where the individual fails to make correction within the stipulated period, a fine of not more than RMB1,000 shall be imposed; where the organization fails to make correction within the stipulated period, a fine ranging from RMB1,000 to RMB10,000 shall be imposed.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

According to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and latest amended on December 29, 2018, producers and sellers shall establish a sound internal product quality control system, strictly adhere to a job responsibility system in relation to quality standards and quality liabilities, and implement corresponding examination and inspection measures.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT TRADE

According to the Customs Law of the People's Republic of China (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 and latest amended on April 29, 2021, unless otherwise specified, the import and export cargo consignors and consignees can go through the customs declaration and tax payment procedures for the import and export goods on their own, or by entrusting a customs declaration company to handle the procedures. The import and export cargo consignors and consignees, as well as the customs declaration company, should file with the customs for the declaration procedures in accordance with the law.

Pursuant to the Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 and latest amended on December 30, 2022 and the Regulations on 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, latest amended on March 10, 2024 and effective from May 1, 2024, no organization or individual is allowed to impose, maintain or enforce any prohibitive or restrictive measures on the import and export of goods, unless explicitly prohibited or restricted by laws or administrative regulations.

Pursuant to the Export Control Law of the People's Republic of China (《中華人民共和國出口管制法》) promulgated by the SCNPC on October 17, 2020 and effective from December 1, 2020, the State implements the export control on dual-use items, military products, nuclear and other goods, technologies, services and other items related to the protection of national security and interests or the fulfillment of international obligations such as non-proliferation. The State's export control authorities shall, together with other related departments, formulate and adjust the list of items subject to export control, pursuant to the provisions of the Export Control Law and other relevant laws and administrative regulations, export control policies and specified procedures, and promptly release the same.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL SECURITY

Labor Law and Labor Contract Law

According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) latest amended by the SCNPC on December 29, 2018, and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) latest amended by the SCNPC on December 28, 2012 and effective from July 1, 2013, a labor contract shall be concluded for establishment of work relationships. Employers shall establish and improve the labor regulation to protect the labor rights and fulfill labor obligations of their employees in accordance with the law.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) latest amended and effective by the SCNPC on December 29, 2018, and the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) latest amended and effective by the State Council on March 24, 2019, the social insurance system including basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance and maternity insurance has been established. The employer shall register for social insurance with the local social insurance agency and participate in the insurance program. Both the employer and the employee shall pay the social insurance premiums on time and in full.

Pursuant to the Regulations on the Housing Provident Fund (《住房公積金管理條例》) latest amended and effective by the State Council on March 24, 2019, the employer shall register the housing provident fund contributions with the housing provident fund management center and set up the procedures for establishing housing provident fund accounts for its employees. The employer shall make timely and full contributions to the housing provident fund.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law (《企業所得稅法》) and relevant implementing regulations, a uniform enterprise income tax rate of 25% is applicable. However, if non-resident enterprises do not have establishment or place of business in the PRC, or if they have establishment or place of business in the PRC but there is no actual relationship between the relevant income derived in the PRC and such establishment or place of business, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from the PRC.

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) promulgated by the SCNPC and latest amended and effective on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council, latest amended in December 6, 2024 and effective from January 20, 2025, a uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced by 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a 15% tax rate reduction for enterprise income tax.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) promulgated by the State Council, latest amended and effective on November 19, 2017 and the Implementation Rules for the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF, latest amended on October 28, 2011 and effective from November 1, 2011, all organizations or individuals in the PRC engaging in the sale of goods or processing, repair and assembly services or import and export in the PRC shall be taxpayers of value-added tax and shall pay value-added tax.

On December 25, 2024, the SCNPC promulgated the Value-added Tax Law of the People's Republic of China (《中華人民共和國增值稅法》) (the "Value-added Tax Law"), which will come into effective on January 1, 2026, and replace the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》). According to the Value-added Tax Law, all organizations and individuals (including individual industrial and commercial households) in the PRC engaging in the sale of goods, services, intangible assets, real estates and imports in the PRC shall be taxpayers of value-added tax and shall pay value-added tax according to the Law. The tax rate for taxpayers selling goods, as well as providing processing, repair and assembly services, leasing of tangible movable property services and imports is 13% unless otherwise specified; in certain specific situations, the rate is 9%, 6% or 0%.

Dividend Withholding Tax

According to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重稅和防止偷漏稅的安排》) signed by the STA and the Hong Kong Special Administrative Region government on August 21, 2006 and effective on December 8, 2006, if a mainland China resident company pays dividends to a Hong Kong resident and the beneficial owner of the dividends is a company that directly holds at least 25% of the capital of the dividend-paying company, the tax levy shall not exceed 5% of the total amount of dividends; in other cases, it shall not exceed 10% of the total amount of dividends.

According to the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) issued and implemented by the STA on July 24, 2009, Chinese resident enterprises that publicly issue and list stocks (A shares, B shares and overseas stocks) in China and abroad are required to withhold and pay enterprise income tax at a unified rate of 10% when distributing dividends to non-resident enterprise shareholders for the years 2008 and thereafter. Non-resident enterprise shareholders who need to enjoy benefits under tax treaties should proceed according to the relevant provisions of the tax treaties.

The MOF, the STA and the China Securities Regulatory Commission (the "CSRC") issued the Notice on the Tax Policies Related to the Pilot program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) on October 31, 2014, which was implemented on November 17, 2014, stipulating: (1) for individual investors in mainland China who receive dividends from H shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect, H share companies must submit an application to China Securities Depository and Clearing Corporation Limited (the "China Clearing"), which will provide the list of mainland individual investors to the H share companies. The H share companies will withhold personal income tax at a rate of 20%. Individual investors who have already paid withholding tax abroad can apply to the competent tax authorities of China Clearing for tax credit with valid tax deduction certificates. Dividends received by mainland securities investment funds from stocks listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect will be subject to personal income tax according to the above provisions; and (2) for corporate investors in mainland China who receive dividends from stocks listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect, these dividends are included in their total income and are subject to enterprise income tax in accordance with the law. Among them, dividends received by resident companies in mainland China that hold H shares for more than 12 consecutive months will be exempt from enterprise income tax in accordance with the law.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Regulations of the People's Republic of China on the Administration of Foreign Exchange (《中華人民共和國外匯管理條例》) latest amended by the State Council on August 5, 2008, the Regulations shall apply to the foreign exchange income and expenditure or foreign exchange business activities of domestic institutions and individuals, as well as the foreign exchange income and expenditure or foreign exchange business activities of overseas institutions and overseas individuals in China.

According to the Notice of the State Administration of Foreign Exchange on Further Deepening Reforms to Promote the Convenience of Cross-border Trade and Investment (《關於進一步深化改革促進跨境貿易投資便利化的通知》) issued by the SAFE on December 4, 2023, the foreign exchange funds raised by domestic enterprises through overseas listings can be directly remitted to the capital account settlement account. The funds in the capital account settlement account can be freely settled for use.

On December 24, 2025, the PBOC and the SAFE jointly promulgated the Circular on Issues Concerning the Administration of Funds 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》), which became effective on April 1, 2026. Pursuant to this circular, a domestic enterprise shall complete the registration with the competent banks within 30 business 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 increasing or decreasing their overseas shareholdings are also required to comply with the relevant registration and account management requirements.

LAWS AND REGULATIONS RELATING TO STOCK INCENTIVE PLAN

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) promulgated and effective on February 15, 2012, the overseas-listed companies' directors, supervisors, senior management and other employees who are Chinese citizens or non-Chinese citizens residing in China for more than one year, participating in stock incentive plan, should register with the SAFE through domestic agencies.

LAWS AND REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES

Securities Laws and Regulations

The Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the "Securities Law"), latest amended by the SCNPC on December 28, 2019 and effective from March 1, 2020, comprehensively regulates activities in securities market in China. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council, and for subscription and trading of stocks of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner.

Overseas Listings

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Trial Measures") and relevant guidelines, which were effective from March 31, 2023. According to the Trial Measures, if a company within China directly or indirectly issues stocks or gets listed overseas, it shall file its issuance and listing application documents with the CSRC within 3 working days after submission overseas. In any of the following circumstances, overseas issuance and listing are not permitted: those explicitly prohibited by laws, administrative regulations or relevant national provisions from raising funds through listing; those identified by the relevant departments of the State Council after examination according to law as posing a threat to national security due to overseas issuance and listing; domestic enterprises or their controlling shareholders or de facto controllers having committed crimes such as corruption, bribery, embezzlement, misappropriation of property, or disruption of the socialist market economic order within the last three years; domestic enterprises being under legal investigation due to suspected crimes or significant violations of laws and regulations, with no clear conclusions reached yet; and significant disputes over the ownership of shares held by controlling shareholders or shareholders under the control of the controlling shareholders or de facto controllers.

According to Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities 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") jointly issued by the CSRC and other relevant departments on February 24, 2023 and effective from March 31, 2023, in the course of overseas issuance and listing of domestic enterprises, domestic enterprises and securities companies and securities service agencies which provide the corresponding services shall strictly comply with the relevant laws and regulations of the People's Republic of China and the requirements of the Provisions on Strengthening Confidentiality and Archives Administration, strengthen legal awareness of confidentiality of State secrets and archives administration, establish a sound system for confidentiality and archives work, adopt the requisite measures to perform the responsibilities of confidentiality and archives administration, and shall not divulge State secrets and work secrets of State agencies or harm State and public interests.