I. LAW AND REGULATIONS RELATING TO OUR GROUP'S BUSINESS AND OPERATIONS IN THE PRC

We are subject to a variety of PRC laws, rules, and regulations across several aspects of our business. The following is a summary of the most significant laws and regulations that are applicable to our current business activities within the territory of the PRC.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS

REGULATIONS ON OPTICAL TRANSCEIVER INDUSTRY

According to the Radio Regulations of the PRC (《中華人民共和國無線電管理條例》), which was issued by the State Council and the Central Military Commission on September 11, 1993, revised on November 11, 2016, and came into effect on December 1, 2016. The radio regulatory authority of the state shall be responsible for radio regulation nationwide, The production or import of radio transmitting equipment for domestic sale and use shall be in compliance with the laws and regulations on product quality, national standards and the provisions of the state on radio regulation. Except for micro power short-distance radio transmitting equipment, for any production or import of other radio transmitting equipment for domestic sale and use, an application for type approval shall be filed with the radio regulatory authority of the state. For anyone who, in violation of the provisions hereof, produces or imports any radio transmitting equipment sold or used within China without obtaining model confirmation, the radio regulatory authority shall order the violator to take corrective action, and impose a fine ranging from RMB50,000 to RMB200,000 on the violator; and if the violator refuses to take corrective action, shall confiscate the radio transmitting equipment without model confirmation, and impose a fine ranging from RMB200,000 to RMB1 million on the violator. For anyone who sells any radio transmitting equipment for which model confirmation should have been obtained in accordance with the provision of Article 44 hereof, the radio regulatory authority shall order the violator to take corrective action, confiscate illegally sold radio transmitting equipment and illegal income, and may impose a fine of not more than 10% of the goods value of illegally sold equipment; and if it refuses to take corrective action, shall impose a fine of not less than 10% but not more than 30% of the goods value of illegally sold equipment on the violator.

According to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) issued by the State Council on September 25, 2000, revised on February 6, 2016, and effective on the same day. The State shall implement a network connection licensing system for telecommunications terminal equipment, radio telecommunications equipment, and interconnection-related equipment. Telecommunications terminal equipment, radio telecommunications equipment, and interconnection-related equipment accessing a public telecommunications network shall comply with the standards stipulated by the State, and obtain a network connection permit. Telecommunications equipment manufacturing enterprises shall guarantee the quality and reliability of telecommunications equipment which has obtained a network connection permit and shall not lower product quality or performance. Selling telecommunications terminal equipment which does not carry a network connection permit shall be ordered by the telecommunications administration authorities of the province, autonomous region or centrally-administered municipality to make corrections and be imposed a fine ranging from RMB10,000 to RMB100,000. Any offender who violates the provisions of these Regulations in the lowering of product quality or performance after obtaining the telecommunications equipment network connection permit, shall be punished by the product quality supervision authorities pursuant to the provisions of the relevant laws and administrative regulations.

According to the Measures for the Administration of Telecommunications Equipment Network Access (《電信設備進網管理辦法》), which was issued by the Ministry of Information Industry (abolished) on May 10, 2001, revised by the Ministry of Industry and Information Technology (the

"**MIIT**") on January 18, 2024, and came into effect on the same day, telecommunications equipment manufacturers (hereinafter referred to as manufacturers) must comply with national laws, regulations, and policy requirements when applying for telecommunications equipment network access licenses. The telecommunications equipment applying for network access licenses must meet national standards, communication industry standards, and the requirements of the MIIT. Telecommunications equipment manufacturers shall have a sound quality assurance system and after-sales service measures. Manufacturers that have obtained network access licenses shall accept the supervision and management of the communications administrations of the provinces, autonomous regions, or municipalities directly under the Central Government where they are located. For those who forge, fraudulently use, transfer network access licenses, or fabricate network access license numbers, the MIIT or the communications administrations of the provinces, autonomous regions, or municipalities directly under the Central Government shall confiscate their illegal earnings and impose a fine of not less than three times but not more than five times the illegal earnings. If there are no illegal earnings or the illegal earnings are less than RMB10,000, a fine of not less than RMB10,000 but not more than RMB100,000 shall be imposed.

On October 22, 2019, the MIIT issued the Guiding Opinions of the Ministry of Industry and Information Technology on Accelerating the Cultivation of New Modes and New Forms of Shared Manufacturing to Promote the High-quality Development of the Manufacturing Industry (《工業和信息化部關於加快培育共享製造新模式新業態促進製造業高質量發展的指導意見》). It is clearly stipulated therein that efforts shall be made to promote the construction of new infrastructure. Specifically, the construction of new-type infrastructure, including 5G, AI, the industrial Internet, and the Internet of Things, shall be strengthened, and the coverage scope of high-speed, large-capacity, and low-latency networks shall be expanded. Manufacturing enterprises are encouraged to achieve the interconnection of people, machines, and things by means of the transformation and upgrading of their internal networks, thereby providing information network support for shared manufacturing.

On November 10, 2019, the NDRC, the MIIT, the Cyberspace Administration of China, the Ministry of Education, the MOF, the Ministry of Human Resources and Social Security, the Ministry of Natural Resources, MOFCOM, the PBOC, the SAMR, the National Bureau of Statistics, the National Copyright Administration, the China Banking and Insurance Regulatory Commission, the CSRC, and the National Intellectual Property Administration jointly issued the Implementation Opinions on Promoting the In-depth Integration and Development of Advanced Manufacturing and Modern Service Industries (《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》). It is proposed therein that the innovative application of the industrial Internet shall be accelerated. Supported by the construction of network infrastructure, the development of an application platform system, and the improvement of security guarantee capabilities, efforts shall be made to promote the connection of all elements and the entire industrial chain in the manufacturing industry, improve the collaborative application ecosystem, and build a digital, networked, and intelligent manufacturing and service system. Moreover, the integrated development of the manufacturing industry, the service industry, and the Internet shall be deepened, "Internet +" shall be vigorously developed, development vitality and potential shall be stimulated, and a new ecosystem for integrated development shall be created.

On March 6, 2020, the General Office of the MIIT issued the Notice of the General Office of the Ministry of Industry and Information Technology on Promoting the Accelerated Development of the Industrial Internet (《工業和信息化部辦公廳關於推動工業互聯網加快發展的通知》). It was proposed therein that the internal and external networks of the industrial Internet should be transformed and upgraded. Specifically, efforts should be made to promote basic telecommunications enterprises to build high-quality external networks covering all prefecture-level cities across the country and create 20 excellent service cases for enterprise industrial Internet external networks. Industrial enterprises are encouraged to upgrade and transform the internal networks of the industrial Internet, create 10 benchmark networks, and promote 100 leading enterprises in key industries and 1,000 local backbone enterprises to carry out the upgrading and transformation of the internal networks of the industrial Internet.

On March 24, 2021, the MIIT issued the Action Plan for the Coordinated Development of 'Dual Gigabit' Networks (2021–2023) (《"雙千兆"網絡協同發展行動計劃》). It proposed that within three years, the "dual gigabit" network infrastructure comprehensively covering urban areas and conditional towns and townships should be basically completed, so that both fixed and mobile networks generally have the capacity to provide gigabit-to-the-home services. Specific targets were set: by the end of 2021, the gigabit fiber-optic network should be capable of covering 200 million households, the scale of 10GPON and above ports should exceed 5 million, and the number of gigabit broadband users should exceed 10 million; by the end of 2023, the gigabit fiber-optic network should be capable of covering 400 million households, and the scale of 10GPON and above ports should exceed 10 million.

On November 1, 2021, the MIIT issued the 14th Five-Year Plan for the Development of the Information and Communication Industry (《"十四五"信息通信行業發展規劃》). The plan proposes that by 2025, a new type of digital infrastructure that is high-speed, ubiquitous, integrated, interconnected, intelligent, green, safe and reliable will be basically established. Focusing on the construction of new digital infrastructure and the expansion of the digital space, 26 key development areas and 21 projects have been put forward, aiming to comprehensively improve the development quality of the industry and the ability to empower the digital transformation of the economic society.

On January 22, 2022, the General Office of the MIIT and the General Office of the NDRC issued the Notice on Promoting Cloud-Network Integration and Accelerating the Construction of Information Infrastructure in Small and Medium-Sized Cities (《關於促進雲網融合加快中小城市信息基礎設施建設的通知》). It was proposed that by 2025, the cloud-network infrastructure covering small and medium-sized cities should be basically completed in the eastern region, as well as in most parts of the central, western, and northeastern regions. The construction goals of "Gigabit Connectivity in a Thousand Cities" and "A Thousand Cloud Resource Pools in a Thousand Cities" should be achieved, that is, gigabit access capabilities and cloud resource pools should cover more than 1,000 small and medium-sized cities.

REGULATIONS ON PRECISION COMPONENT INDUSTRY

On August 22, 2025, the MIIT and the SAMR issued the 2025–2026 Stable Growth Action Plan for the Electronics Manufacturing Industry (《電子信息製造業2025–2026年穩增長行動方案》), aiming at enhancing the resilience and security level of the industrial and supply chains, maintaining the economic operation of the electronics manufacturing industry within a reasonable range, and providing strong support for the stable growth of the industrial economy. Measures to be taken in the implementation of this plan include supporting major project construction, promoting countercyclical upgrading and transformation of the industry, and facilitating green and intelligent upgrades.

On March 7, 2025, the MIIT and the National Standardization Administration of the PRC issued National Guidelines for the Construction of Intelligent Manufacturing Standards System (2024 Edition) (《國家智能製造標準體系建設指南(2024年版)》), which point out that by 2026, more than 100 national and industry standards will be formulated or revised to build an intelligent manufacturing standards system that is adapted to the development of new industrialization, with a focus on exploring new methods for standard development, solidifying successful experiences and innovative achievements, forming typical scenario-based systematic solution standards and guiding enterprises to apply standards to practice, building enterprise intelligent manufacturing standards systems, and promoting the high-quality development of intelligent manufacturing.

On April 22, 2025, the MIIT, the NDRC and the National Data Administration promulgated the Implementation Plan for Digital Transformation of the Electronics and Information Manufacturing Industry (《電子信息製造業數字化轉型實施方案》), which proposed a two-phase target: (i) by 2027, new types of information infrastructure for the digital transformation and intelligent upgrading of the among other goals, electronics and information manufacturing industry will be basically improved, and the key-process numerically controlled rate of large-scale electronics and information manufacturing enterprises will exceed 85%, and (ii) by 2030, a relatively complete data-based institutional system and the industrial database for the electronics and information manufacturing industry will be established, and a number of landmark intelligent products will be formed.

REGULATIONS ON LASER TECHNOLOGY AND SERVICE INDUSTRY

According to Standardization Law of the People's Republic of China (《中華人民共和國標準化法》), promulgated by the Standing Committee of the National People's Congress, implemented on January 1, 2018 (revised in 2017). Its main provisions stipulate that national standards are divided into mandatory standards and voluntary standards; mandatory standards must be implemented, and products and services that do not meet mandatory standards shall not be produced, sold, imported or provided. It encourages enterprises and social organizations to participate in standardization work.

According to Regulation of the People's Republic of China on Certification and Accreditation (《中華人民共和國認證認可條例》), promulgated by the State Council, implemented on November 1, 2003, and has undergone three amendments. Its main provisions regulate certification and accreditation activities, clarify that products included in the catalog of mandatory product certification must pass certification before they can be manufactured, sold, imported or used in other business activities, and the state implements a unified supervision and administration system for certification and accreditation.

According to Measures for the Supervision and Administration of Product Anti-Counterfeiting (《產品防偽監督管理辦法》), promulgated by the General Administration of Quality Supervision, Inspection and Quarantine, implemented on December 1, 2002. Its main provisions implement a production licensing system for anti-counterfeiting technical products, require anti-counterfeiting technical products to pass technical evaluation, regulate the qualifications and behaviors of anti-counterfeiting service providers, prohibit forging and passing off anti-counterfeiting marks and certificates, and clarify the supervisory responsibilities of quality and technical supervision departments at all levels.

According to Implementation Rules for the Measures for the Supervision and Administration of Product Anti-Counterfeiting (《產品防偽監督管理辦法實施細則》), promulgated by the General Administration of Quality Supervision, Inspection and Quarantine, implemented in 2003. Its main provisions refine the implementation procedures of the Measures for the Supervision and Administration of Product Anti-Counterfeiting, clarify the specific responsibilities of the National Anti-Counterfeiting Office, standardize the technical evaluation procedures for anti-counterfeiting, and require provincial quality and technical supervision departments to uniformly announce the filing information of the use of anti-counterfeiting technical products.

According to Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), promulgated by the Standing Committee of the National People's Congress, implemented on October 15, 2025 (revised in 2025). Its main provisions prohibit unfair competition acts that cause commercial confusion through the unauthorized use of others' anti-counterfeiting marks, clarify the penalties for such acts, and stipulate that unfair competition acts stipulated in this Law committed overseas that disrupt the domestic market order shall be handled in accordance with the law.

REGULATIONS RELATING TO PRODUCTION SAFETY

On June 29, 2002, the Standing Committee of the National People's Congress (the "**SCNPC**") promulgated the Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Production Safety Law**"), which was recently amended by the SCNPC on June 10, 2021 and became effective on September 1, 2021. According to the Production Safety Law, enterprises that are engaged in production and business activities shall abide by the relevant laws and regulations concerning work safety, strengthen work safety management, establish and improve the all-staff work safety responsibility system and work safety rules and regulations, increase investment in funds, materials, technologies and personnel for work safety, improve the conditions for work safety, strengthen the standardized and information technology development of work safety, establish a dual prevention mechanism of graded management and control of safety risks and the screening and handling of hidden dangers, improve the risk prevention and resolution mechanism, and improve the level of work safety so as to ensure workplace safety. The safety facilities of a producer or business operator for engineering projects to be built, renovated or expanded shall be designed, constructed, and put into operation and use simultaneously with the principal part of the projects. Investments in safety facilities shall be included in the budgetary estimates for the construction projects. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

REGULATIONS RELATING TO PRODUCT QUALITY

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and recently amended with immediate effect on December 29, 2018, producers shall: (i) be responsible for the quality of the products they produce; (ii) not produce products that have been explicitly eliminated by the state; (iii) not forge the place of origin, forge or falsely use the name and address of another person's factory; and not forge or fraudulently use quality marks such as certification marks; (iv) not produce or market adulterated products or use fake goods as genuine or sub-standard products as standard; and (v) ensure that the packaging quality of fragile, flammable, explosive, toxic, corrosive, radioactive and other dangerous goods, products that cannot be inverted during storage and transportation and other products with special requirements meets the corresponding requirements, and make warning signs or warning instructions in Chinese, or indicate matters needing attention during storage and transportation. If a defect in the product causes damage to the person or property of others, the victim may claim compensation from the producer of the product or from the seller of the product. Producers or sellers who produce or sell substandard products will be ordered to cease production and sales, the illegally produced or sold products will be confiscated, and a fine will be imposed. If there is any illegal income, the illegal income will also be confiscated. If the circumstances are serious, the business license shall be revoked. If a crime is constituted, criminal responsibility shall be investigated in accordance with law.

According to the Civil Code of the PRC (《中華人民共和國民法典》) promulgated by the SCNPC on May 28, 2020 and became effective on January 1, 2021, if a defect of a product causes damage to another person, the infringed person may claim compensation against the manufacturer or the seller of the product. If the infringer knows that the product is defective and still produces or sells it, or fails to take effective remedial measures in accordance with the provisions of the Civil Code of the PRC, resulting in the death of another person or serious damage to the health of another person, the infringed person shall be entitled to claim corresponding punitive damages. If a product is defective due to the fault of a third party, such as a transporter or warehouseman, and causes damage to another person, the producer or seller of the product shall have the right to recover compensation from the third party after making compensation to the infringed person.

REGULATIONS RELATING TO CONSTRUCTION AND ENVIRONMENTAL PROTECTION

Regulations on construction

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) which was promulgated by the SCNPC with effect from January 1, 2008 and recently amended with immediate effect on April 23, 2019, the Construction Law of the PRC (《中華人民共和國建築法》) which was promulgated by the SCNPC with effect from March 1, 1998 and recently amended with immediate effect on April 23, 2019 and the Regulation on Quality Management of Construction Projects (《建設工程質量管理條例》) which was promulgated on January 30, 2000 and amended with immediate effect on April 23, 2019, the construction activities carried out in the built-up areas of cities, towns and villages as well as areas that must be under planning control for urban and rural construction and development shall be in compliance with the relevant requirements of the Urban and Rural Planning Law of the PRC. The construction entity shall obtain the construction land planning permit and the construction project planning permit from the competent department of urban and rural planning under the people's government at the county level, and shall obtain the construction permit from the competent department of housing and urban and rural construction under the people's government at municipal and county level or above of the place of the construction project before commencement of construction. After receiving the construction project completion report, the construction entity shall organize the entities of design, construction, project supervision and other relevant entities to conduct the final inspection and acceptance.

According to the Regulations on the Administration of Approval and Filing of Enterprise Investment Projects (《企業投資項目核准和備案管理條例》), which was promulgated by the State Council on November 30, 2016 and came into effect on February 1, 2017, projects related to national security, major productivity distribution, strategic resource development and major public interests are subject to approval management. The specific project scope, the approval authority and the approval power shall be implemented in accordance with the catalog of investment projects approved by the government.

LAWS AND REGULATIONS RELATING TO FIRE PREVENTION

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and implemented since September 1, 1998, and last amended on April 29, 2021 and implemented since the same date, together with the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design for Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and implemented since June 1, 2020, and last amended on August 21, 2023 and implemented since October 30, 2023, the fire prevention design and construction work of a construction project must conform to the national fire prevention technical standards. For construction projects which are required to have fire prevention design in accordance with the national fire prevention technical standards for project construction, the examination and acceptance system on fire prevention design for construction project shall be applied. Where, upon the completion of construction projects, application for acceptance on fire prevention is required by the competent department of housing and urban-rural development under the State Council, the construction entities shall apply to the competent department of housing and urban-rural development for acceptance checks for fire prevention. With respect to construction projects other than those mentioned above, construction entities shall, after an acceptance check, file their results to the competent department of housing and urban-rural development for record purposes, and such department shall conduct random inspections thereof. Construction projects that are subject to fire prevention acceptance check in accordance with the laws are prohibited from being put into use if they do not go through or fail the fire prevention acceptance check. Other construction projects that fail the random inspections according to laws shall be suspended from using.

Regulations in relation to environmental protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), promulgated by the SCNPC on December 26, 1989 and last amended on April 24, 2014 and which came into effect on January 1, 2015, the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), promulgated by the SCNPC on October 28, 2002 and latest amended on December 29, 2018, and the Administrative Regulations on the Environmental Protection of Construction Project (《建設項目環境保護管理條例》), promulgated by the State Council on November 29, 1998 and last amended on July 16, 2017 and which came into effect on October 1, 2017, enterprises which plan to construct projects shall engage qualified professionals to provide the assessment reports, assessment form, or registration form on the environmental impact of such projects. The assessment reports, assessment form, or registration form shall be filed with or approved by the relevant environmental protection bureau prior to the commencement of any construction work.

Regulations relating to pollutant discharge permits

According to the Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and coming into effect on March 1, 2021, enterprises, institutions and other producers and operators subject to pollutant discharge permit management should apply for and obtain pollutant discharge permits in accordance with the provisions of the regulations. Those who have not obtained pollutant discharge permits are not allowed to discharge pollutants.

According to the Classified Management Catalog of Pollutant Discharge Permits for Stationary Sources of Pollution (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) promulgated by the Ministry of Ecology and Environment on December 20, 2019 and coming effective on the same day, a pollutant discharge entity subject to registration management is not required to apply for a pollutant discharge permit. It shall fill in the pollutant discharge registration form on the management information platform of state pollutant discharge permits, and register its basic information, pollutant discharge route, pollutant discharge standards implemented, pollution prevention and control measures adopted, and other information.

REGULATIONS RELATING TO THE IMPORT AND EXPORT OF GOODS AND TECHNOLOGY

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994, which was recently amended and effect on March 1, 2026, and the Notice of the Department of Enterprise Management and Inspection on Matters Related to the Record-filing of Consignors and Consignees of Import and Export Goods (《企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知》) published by the General Administration of Customs of the PRC with immediate effect on January 3, 2023, if consignors and consignees of import and export goods apply for record-filing, they shall obtain the market entity qualification and are not required to obtain the record-filing of foreign trade business operators. For technologies that fall under the category of free import and export, the contract record-filing and registration formalities shall be handled with the foreign trade department in charge under the State Council or the institutions entrusted by it.

According to the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) promulgated by the SCNPC on February 21, 1989 and implemented since August 1, 1989, and last amended on April 29, 2021 and came into effect on the same date, and the Regulations for the Implementation of the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》) promulgated by the State Council on August 31, 2005 and implemented since December 1, 2005, and last amended on March 29, 2022 and implemented since May 1, 2022, the General Administration of Customs shall be responsible for inspection of import and export commodities in the PRC. The entry-exit inspection and quarantine authorities shall conduct inspection on the import and export of commodities listed in the catalog and on the import and export other commodities that shall be subject to the inspection by the entry-exit inspection authorities as prescribed by laws and administrative regulations. For the imported and exported commodities other than those that are subject to inspection by the entry-exit inspection and quarantine authorities as mentioned above, the entry-exit inspection and quarantine authorities shall conduct random inspection in accordance with state regulations. Imported commodities subject to inspection may not be sold or used if they have not been inspected. Exported commodities subject to inspection may not be exported if they have not been inspected or fail to pass the inspection.

REGULATIONS RELATING TO FOREIGN INVESTMENT

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Encouraged Industries for Foreign Investment (《鼓勵外商資產業目錄》), and the Special Administrative Measures (Negative List) for Foreign Investment Access (《投資准入特別管理措施(負面清單)》) (the "Negative List"),which are promulgated and amended from time to time by the Ministry of Commerce (the "MOFCOM") and the National Development and Reform Commission (the "NDRC"), and together with the Foreign Investment Law of the PRC(《中華人民共和國外商投資法》) (the "Foreign Investment Law") and its respective implementation rules and ancillary regulations.

In March 2019, the Foreign Investment Law was promulgated by the National People's Congress (the "NPC") and came into effect on January 1, 2020. The Foreign Investment Law, through legislative means, has established a basic framework for the access, promotion, protection and management of foreign investment, aiming to ensure investment protection and fair competition. According to the Foreign Investment Law, foreign investment shall have the right to pre-accession national treatment, except for those foreign investment entities in industries that are identified as "restricted" or "prohibited" on the Negative List. To ensure the effective implementation of the Foreign Investment Law, the Regulations on 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"), was promulgated by State Council in December 2019 and came into effect on January 1, 2020, which further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

On September 6, 2024, the NDRC and the MOFCOM jointly 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 "2024 Negative List") which came into effect on November 1, 2024. Pursuant to the Foreign Investment Law, the Implementation Regulations and the 2024 Negative List, foreign investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are generally deemed "permitted" for foreign investments.

REGULATIONS RELATING TO OVERSEAS INVESTMENT

The Measures for Overseas Investment Management (《境外投資管理辦法》) was promulgated by the MOFCOM on March 16, 2009, which was amended on September 6, 2014 and came into effect on October 6, 2014. As defined therein, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration.

The Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) was promulgated by the NDRC on December 26, 2017 and came into effect on March 1, 2018. As defined therein, overseas investment means any investment activities in which a domestic enterprise of the PRC obtains ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by contributing asset and/or interest or providing financing and/or guarantee. To conduct overseas investment, certain procedures shall be complied with, including approval and record-filing of overseas investment projects, reporting relevant information and cooperating with the supervision and inspection. To list the current sensitive industries in detail, the NDRC promulgated the Catalog of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》) on January 31, 2018, which came into effect on March 1, 2018.

According to (i) the Foreign Exchange Administration Rules on Outbound Direct Investment of the PRC Organizations (《境內機構境外直接投資外匯管理規定》) promulgated by the SAFE on July 13, 2009 and becoming effective on August 1, 2009 and (ii) the Circular on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated on February 13, 2015 and becoming effective on June 1, 2015, which was partially abolished by the SAFE, a PRC enterprise which has completed the approval or filing procedures at the outbound investment regulatory authorities shall make the registration with SAFE through its designated banks in connection with its outbound direct investment and obtain a corresponding SAFE registration certificate. With the approval or filing certificate issued by the outbound investment regulatory authorities and the SAFE registration certificate, the PRC enterprise can remit funds outside the PRC through the designated banks for the purpose of outbound direct investment. In the event of changes to certain basic information of the offshore company registered at SAFE's system, the PRC enterprise shall make the alteration registration with SAFE through its designated banks.

Pursuant to the Notice on Issues concerning Foreign Exchange Control Pertaining to Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), promulgated by the SAFE with immediate effect on December 26, 2014, domestic companies listed overseas shall submit the registration documents for their overseas listings to domestic banks to open designated foreign exchange accounts regarding their initial or follow-on offerings and share repurchases, and handle the exchange, transfer and remittance of relevant funds through such designated accounts, and the proceeds raised from overseas listings of a domestic company may be remitted into the PRC or deposited overseas, and the use of such proceeds shall be consistent with those set out in the document or other publicly disclosed documents such as the corporate bonds offering documentation, board resolutions or shareholders' resolutions.

REGULATIONS RELATING TO LABOR, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Labor contract

According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, which was recently amended on December 28, 2012 and became effective on July 1, 2013, and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council with immediate effect on September 18, 2008, a written employment contract shall be entered into to create an employment relationship. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is created, the employer must enter into a written employment contract with the employee and pay the employee an amount equal to twice such employee's salary for the period from the day following the lapse of one month from the date of the creation of the employment relationship to the day prior to the execution of the written employment contract. These rules also require compensation to be paid by the employer in certain events because of the termination. In addition, if an employer intends to enforce a non-compete provision in an employment contract or non-competition agreement with an employee, it must compensate the employee on a monthly basis during the term of any restrictive period after the termination or expiry of the labor contract. In most cases, employers are also required to provide severance payment to their employees after their employment relationships are terminated.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and amended with immediate effect on December 29, 2018, the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and recently amended with immediate effect on March 24, 2019 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》) promulgated by the State Council on January 22, 1999 and amended with immediate effect on March 24, 2019, a domestic enterprise shall pay a premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at an appropriate percentage based on the amounts stipulated by the laws. Employers who fail to promptly contribute social insurance premiums in full amount shall be ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears. If the employer fails to pay the housing fund within the prescribed time, it may be ordered to pay within a certain period of time, and if it still fails to pay, compulsory enforcement by the court can be applied.

According to the Opinions of the Office of the State Council on Comprehensively Promoting the Implementation of the Merger of Maternity Insurance and the Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) which was promulgated by the State Council with immediate effect on March 6, 2019, the PRC facilitates the incorporation of maternity insurance fund into basic medical insurance fund of employees for unified payment. According to the Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council and Effectively Doing a Good Job in Stabilizing the Collection of Social Insurance Premiums (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) which was promulgated by the Ministry of Human Resources and Social Security with immediate effect on September 21, 2018, it is strictly prohibited to independently organize centralized collection and clearance of enterprises' historical arrears of social insurance premiums. Those that have already carried out centralized collection and clearance should immediately correct it and properly handle the follow-up work.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the SCNPC on March 12, 1984 and recently amended on October 17, 2020 and became effective on June 1, 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001, which was recently amended on December 11, 2023 and became effective on January 20, 2024, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of the provincial, autonomous regions or municipal governments are responsible for the administration of patents within their respective administrative areas. They provide for three types of patents, namely "inventions," "utility models" and "designs". Invention patents are valid for twenty years, utility model patents are valid for ten years and design patents are valid for fifteen years, in each case from the date of application. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third Parties must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the unauthorized use constitutes an infringement on the patent rights.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, which was recently amended on April 23, 2019 and became effective on November 1, 2019, the Trademark Office of the State Administration for Industry and Commerce Authority (the predecessor of the SAMR), under the State Council is responsible for the registration and administration of trademarks in China. The SAMR has established a Trademark Review and Adjudication Board for resolving trademark disputes. Registered trademarks are valid for 10 years from the date the registration is approved. A registrant may apply to renew a registration within 12 months before the registration expiration date. If the registrant fails to apply in a timely manner, a grace period of 6 additional months may be granted. If the registrant fails to apply before the grace period expires, the registered trademark shall be deregistered. Renewed registrations are valid for 10 years. On April 29, 2014, the State Council issued the revised Implementing Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which specifies the requirements for the application of trademark registration and renewal.

Copyright

On September 7, 1990, the SCNPC promulgated the Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**"), which was recently amended on November 11, 2020. The latest amendment took effect on June 1, 2021 and extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the Copyright Protection Centre of China. According to the Copyright Law, Chinese citizens, legal persons and organizations shall own copyright to their copyrightable works, regardless of whether such works are published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners enjoy certain legal rights, including the right of publication, right of authorship and right of reproduction. An infringer of copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners and compensating the loss of the copyright owner. An infringer of copyrights may also be subject to fines and/or administrative or criminal liabilities under certain circumstances.

In order to further implement the Regulations on Computer Software Protection (《計算機軟件保護條例》), promulgated by the State Council on June 4, 1991, which was recently amended on January 30, 2013 and became effective on March 1, 2013, the National Copyright Administration issued the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) on February 20, 2002, which specifies detailed procedures and requirements with respect to the registration of software copyrights.

Domain names

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and which became effective from November 1, 2017, the establishment of domain name root servers and domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the territory of the PRC shall obtain permission from the MIIT or the communications administration department of the province, autonomous region or municipality directly under the Central Government. The principle of "first come, first served" applies to domain name registration services. 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 promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, stipulates the obligations of Internet information service providers and other entities to combat terrorism and maintain network security.

REGULATIONS RELATING TO THE EIT AND VALUE-ADDED TAX

According to the EIT Law recently amended by the SCNPC and became effective on December 29, 2018, and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) recently amended by the State Council on December 6, 2024, an enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of the foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an enterprise income tax of 25% of any income generated within or outside the PRC. Preferential enterprise income tax is granted to industries and projects that are supported and encouraged by the country. For high and new technology enterprises that need the support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (the "**VAT Regulations**") promulgated by the State Council on December 13, 1993, latest amended and became effective on November 19, 2017, and the Implementing Rules for the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993, latest amended on October 28, 2011 and became effective on November 1, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay the VAT. Any adjustments to the VAT tax rates shall be decided by the State Council, according to the Notice of the MOF and the SAT on the Relevant Policies on the Streamlining and Combination of Value-added Tax Rates (《財政部、國家稅務總局關於簡並增值稅稅率有關政策的通知》), the Notice of the MOF and the SAT on the Adjusting Value added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》)

and the Announcement of the MOF, the SAT and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), the VAT tax rates currently implemented is 13%, 9%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. On December 25, 2024, the SCNPC promulgated the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), which will become effective on January 1, 2026, upon which VAT Regulations shall be repealed.

REGULATIONS ON SECURITIES AND OVERSEAS LISTINGS

Securities Laws and Regulation

The Securities Law, which was promulgated by the SCNPC on December 29, 1998, and was recently amended on December 28, 2019 and took effect on March 1, 2020, comprehensively regulates activities in the Chinese Mainland securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing its securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares 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. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Measures and circulated five supporting guidelines ((《備案規則》) collectively, the "**Filing Rules**"), which have become effective on March 31, 2023. The Filing Rules have comprehensively improved and reformed the regulatory regime for overseas offering and listing of the PRC domestic companies' securities to regulate both direct and indirect overseas offering and listing of the PRC domestic companies' securities by adopting a filing-based regulatory regime. The Filing Rules apply to all overseas equity financing and listing activities of PRC domestic companies, including initial and follow-on offerings of shares, depository receipts, convertible corporate bonds, or other equity instruments and trading of securities in overseas market.

The Filing Rules provide that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, 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; (iv) the domestic company intending to make the securities offering and listing 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; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Additionally, the Filing Rules stipulates that after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report to the CSRC within 3 working days after the occurrence and public disclosure of (i) a change of control thereof; (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities; (iii) changes of listing status or transfers of listing segment; and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security etc., and duly fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which has become effective on March 31, 2023. Pursuant to the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises, where a domestic enterprise provides or publicly discloses any document or material that involves state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of Chinese Mainland by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of Chinese Mainland. Cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

Information disclosure

A listed company shall establish a sound information management system in accordance with the regulatory requirements of the securities authorities, market practice, its specific circumstances, and the general information disclosure requirements for listed companies, such as the Administrative Measures for the Disclosure of Information of Listed Companies (《上市公司信息披露管理辦法》) promulgated by CSRC on January 30, 2007, which was last amended on March 26, 2025 and became effective on July 1, 2025.

REGULATORY FRAMEWORK OF U.S. EXPORT CONTROLS AND ECONOMIC SANCTIONS

U.S. Export Controls

The Export Administration Regulations (the "**EAR**"), administered by the BIS of the U.S. Department of Commerce, establish the principal U.S. regulatory framework governing the export, reexport and transfer (in-country) of commercial, dual-use and certain less sensitive military items, including hardware, software and technology.

Certain of our products and transactions may, in specific circumstances, be brought within the scope of the EAR, having regard to factors including the origin of components, the presence of U.S.-origin content, the production process, and the relevant end-use and end-user.

Under the EAR, items may become subject to U.S. jurisdiction not only where they are of U.S. origin, but also where they incorporate more than a de minimis amount of controlled U.S.-origin content (15 C.F.R. §734.4) or, in certain circumstances, where they are produced using specified U.S.-origin software, technology or production equipment pursuant to the foreign direct product rules (15 C.F.R. §734.9). Depending on the classification of the relevant items and the identity of the destination, end user and end use, a license may be required for the export, reexport or transfer (in-country) of items subject to the EAR.

The EAR also impose controls by reference to end-use and end-user considerations. In particular, the Entity List maintained under Supplement No. 4 to Part 744 identifies persons in respect of whom a license is required for the export, reexport or transfer of items subject to the EAR, often subject to a presumption of denial. Certain Entity List designations, including those accompanied by specific footnotes, may further expand the jurisdictional reach of the EAR, including through the application of the foreign direct product rules to certain foreign-produced items.

Accordingly, although the EAR does not, as a matter of law, impose a blanket prohibition on transactions with Entity List parties, the applicable licensing framework operates in practice as a significant restriction on the supply of items subject to the EAR to such parties. By contrast, the EAR does not, as a general matter, regulate the procurement of items from Entity List parties, the relevant restrictions being principally directed at the export, reexport or transfer (in-country) of items subject to the EAR to such parties.

Whether a particular item is subject to the EAR is, however, a fact-sensitive question and may involve regulatory interpretation, including in relation to the application of the de minimis rule (15 C.F.R. §734.4) and the foreign direct product rules (15 C.F.R. §734.9), particularly in the context of semiconductor supply chains and transactions involving entities designated with additional footnotes on the Entity List. There can be no assurance that the relevant authorities would, in all circumstances, adopt the same view.

U.S. Economic Sanctions

U.S. economic sanctions administered by the OFAC of the U.S. Department of the Treasury establish the principal U.S. regulatory framework governing dealings involving sanctioned countries, entities and individuals, including through asset-blocking measures and prohibitions on transactions with designated persons.

Such sanctions generally apply to U.S. persons and to transactions involving a U.S. nexus, including U.S. dollar clearing through the United States. In addition, entities owned 50% or more, directly or indirectly in the aggregate, by persons designated on the Specially Designated Nationals and Blocked Persons List (the "**SDN List**") are, for sanctions purposes, treated as SDN-designated entities.

U.S. persons are generally prohibited from engaging in transactions with SDN-designated persons. Non-U.S. persons may likewise be exposed to sanctions risk where transactions involve a U.S. nexus and, in certain circumstances, may face secondary sanctions where they provide significant assistance or material support to SDN-designated persons.

Failure to comply with applicable U.S. export control and economic sanctions laws may result in significant civil or criminal penalties, including monetary fines and, in the case of willful violations, potential criminal liability.

Recent U.S. Controls Relevant to Semiconductor, AI and Advanced Manufacturing Activities

Recent U.S. export control developments have focused on restricting access to advanced computing capabilities, semiconductor manufacturing technologies and related supply chains, particularly in relation to China. These include controls relating to advanced-node integrated circuits, semiconductor manufacturing equipment, supercomputing end uses, and enhanced end-use and end-user restrictions.

Such controls may apply depending on the technical characteristics of the relevant items, their origin, or their intended end use or end user. As these frameworks continue to evolve, they may increase compliance complexity, impose additional due diligence requirements, or affect the availability of certain components or customers.

In addition, U.S. export control jurisdiction may extend to certain foreign-produced items under the "foreign direct product" rules set out in 15 C.F.R. §734.9.

These rules have been significantly expanded in recent years, particularly in relation to semiconductor supply chains, advanced computing items and certain listed entities. In particular, amendments to the Entity List foreign direct product rules have extended the scope of the EAR to capture certain foreign-produced items where there is knowledge that such items will be supplied, directly or indirectly, to specified Entity List parties, including those designated with additional footnote-based restrictions.

Notably, the foreign direct product rules applicable to certain listed entities, have broadened the jurisdictional reach of the EAR to cover foreign-produced items that are the direct product of specified U.S. software or technology, or are produced by plants or major components thereof that are themselves the direct product of such U.S. technology, even where such items are not of U.S. origin.

Subsequent regulatory developments have further expanded the scope of these rules. In particular, additional foreign direct product rules have been introduced in respect of advanced computing items and semiconductor manufacturing equipment, extending U.S. jurisdiction to certain foreign-produced items based on their production process and intended end use, including in circumstances where such items are destined for use in advanced semiconductor production or involve designated facilities or end users.

In addition, recent regulatory developments have expanded the potential application of the foreign direct product rules to cover certain affiliates of listed entities and to apply in a broader range of transactional scenarios, further increasing the extraterritorial reach of the EAR.

The scope and application of the foreign direct product rules continue to evolve, and their interpretation may involve a high degree of regulatory complexity, particularly in the context of global semiconductor and electronics supply chains.

Regulatory Framework of U.S. Outbound Investment Screening

The United States has established an outbound investment screening regime governing certain investments by U.S. persons in specified technology sectors associated with countries of concern, including sectors relevant to semiconductor and artificial intelligence technologies.

On August 9, 2023, the U.S. government issued an executive order and an advance notice of proposed rulemaking setting out a conceptual framework for outbound investment controls focused on China, including Hong Kong and Macau. On June 21, 2024, the Treasury issued a proposed rule, and on October 28, 2024, Treasury issued a final rule, which became effective on January 2, 2025 (the "**Outbound Investment Rule**").

Under the Outbound Investment Rule, U.S. persons may be subject to prohibition or notification requirements in respect of certain investments in "covered foreign persons" engaged in specified activities relating to semiconductors and microelectronics, quantum information technologies and artificial intelligence systems. Covered transactions include, among others, certain acquisitions of equity interests (including contingent equity interests), certain debt financing arrangements, joint ventures and certain limited partner investments in non-U.S. pooled investment funds. Certain categories of transactions are excluded from the scope of the regime, including, in specified circumstances, investments in publicly traded securities.

In addition, the Comprehensive Outbound Investment National Security Act of 2025 (the "**COINS Act**"), enacted as part of the FY2026 National Defense Authorization Act on December 18, 2025, provides a statutory basis for a broader outbound investment screening framework and directs Treasury to promulgate implementing regulations. The COINS Act does not take immediate effect and affords Treasury substantial discretion in determining the scope and operation of the revised regime.

As enacted, the COINS Act broadly preserves the core structure of the current regime in that it contemplates prohibitions and notification requirements for certain investments by U.S. persons and their controlled foreign entities in covered foreign persons linked to countries of concern. At the same time, it contemplates potential expansion in several respects, including the range of covered technologies, the categories of countries of concern, the definition of covered foreign persons, the treatment of certain investment structures and the scope of available exceptions.

In particular, the COINS Act contemplates coverage of additional technology areas and authorizes future technology designations, and expands the statutory concept of countries of concern beyond the PRC (including Hong Kong and Macau) to include certain additional jurisdictions. It also contemplates adjustments to transaction scope, exceptions and compliance mechanisms, including in relation to limited partner investments and publicly traded securities.

Because the COINS Act remains subject to future rulemaking, there is uncertainty as to how Treasury will ultimately implement these provisions and whether, and to what extent, the current exceptions and interpretive positions under the Outbound Investment Rule will be retained, narrowed or expanded.