
REGULATORY OVERVIEW

THE PRC LAWS, REGULATIONS AND POLICIES

This section sets out summaries of certain aspects of PRC laws, regulations and policies, which are relevant to business operations of our Company.

LAWS, REGULATIONS AND POLICIES RELATING TO THE INTEGRATED CIRCUIT INDUSTRY

From 2010 to 2020, the State Council has issued a series of regulations aimed at promoting the development of the integrated circuit industry, which includes the Decision of the State Council on Accelerating the Fostering and Development of Strategic Emerging Industries (《國務院關於加快培育和發展戰略性新興產業的決定》), the Notice of the State Council on Promulgation of Several Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《國務院關於印發進一步鼓勵軟件產業和集成電路產業發展若干政策的通知》), the Outline for Advancing the National Integrated Circuit Industry (《國家集成電路產業發展推進綱要》), the Notice of the State Council on the Made in China 2025 (《國務院關於印發「中國製造2025」的通知》), the Innovation-driven Development Strategy (《國家創新驅動發展戰略綱要》), the Outline of the National Informatization Development Strategy (《國家信息化發展戰略綱要》), 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》), the Notice of the State Council on Promulgation of Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries in the New Era (《國務院關於印發「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」的通知》), 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》).

On July 27, 2020, the Notice on Administrative Measures on Import Tax Policies to Support the Development of Integrated Circuit Industry and Software Industry by the Ministry of Finance, the National Development and Reform Commission, the Ministry of Industry and Information Technology and Other Departments (《財政部、國家發展改革委、工業和信息化部等關於支持集成電路產業和軟件產業發展進口稅收政策管理辦法的通知》) became effective. On the same day, 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》) took effect. The above notices relating to importing tax for the integrated circuit industry have made some installment tax payment policies and import tariff exemption policies.

Pursuant to 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》), which was jointly promulgated by the Ministry of Finance (the “MOF”), the STA, the National Development and Reform Commission (the “NDRC”) and the Ministry of Industry and Information Technology (the “MIIT”) on December 11, 2020, key integrated circuit design enterprises and software enterprises encouraged by the State will be exempted from enterprise income tax from the first to the fifth year from the profit-making year and will be subject to enterprise income tax at a reduced tax rate of 10% in subsequent years.

Pursuant to 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》), which was promulgated on April 20, 2023, from January 1, 2023 to December 31, 2027, enterprises engaged in the design, production, closed beta test, equipment and materials of integrated circuits are allowed to deduct extra 15% of the deductible input tax in the current period from the value-added tax payable.

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LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Overseas investors’ investment activities in the PRC are principally governed by the Foreign Investment Law of PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), the Catalog of Encouraged Industries for Foreign Investment (《鼓勵外商投資產業目錄》), and the Special Administrative Measures (Negative List) for Foreign Investment Access (《外商投資准入特別管理措施(負面清單)》) and its respective ancillary regulations, which are promulgated and amended from time to time by the National People’s Congress (the “**NPC**”), the Ministry of Commerce and/or the NDRC.

The Foreign Investment Law, which was promulgated by the NPC and implemented on January 1, 2020, establishes the management system for pre-access national treatment and negative list for foreign investment in the PRC. 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》), which 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 catalogue of encouraged foreign-invested industries.

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 “**Negative List**”), which came into effect on November 1, 2024, to replace the previous Negative List. Overseas 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 shall be managed in accordance with the principle of consistency between domestic and foreign investment.

The NDRC and the MOFCOM jointly issued the Catalog of Encouraged Industries for Foreign Investment (2025 version) (《鼓勵外商投資產業目錄(2025年版)》) (the “**Encouragement Catalog**”), which came into effect on February 1, 2026, to replace the previous Encouragement Catalog. The Encouraging Catalogue lists the catalogue of encouraged industries for foreign investment in China and the catalogue of industries with advantages for foreign investment in the central and western regions.

REGULATIONS IN RELATION TO OVERSEAS INVESTMENT

Pursuant to the Administrative Measures for Overseas Investments (《境外投資管理辦法》) which was promulgated by the MOFCOM and came into effect on October 6, 2014, the MOFCOM and provincial competent commerce departments shall conduct filing or approval management depending on different circumstances of overseas investments of enterprises. Overseas investments involving sensitive country or region, sensitive industry shall be subject to approval management, overseas investments under other circumstances shall be subject to filing management.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) which was promulgated by the NDRC and came in effect on March 1, 2018, an enterprise located within the territory of the PRC (the “**Investor**”) making an outbound investment shall go through such formalities as the approval and filing for the outbound investment project (the “**Project(s)**”). Sensitive Projects carried out by Investors directly or through overseas enterprises controlled by them shall be subject to approval; non-sensitive Projects directly carried out by Investors. The NDRC promulgated the Catalogue of Sensitive Industries for Outbound Investment (Edition 2018) (《境外投資敏感行業目錄(2018年版)》) and implemented since March 1, 2018, which list the current sensitive industries in detail.

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Pursuant 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 and implemented since June 1, 2015, abolishing the verification and approval of foreign exchange registration of overseas direct investment, while the banks shall directly examine and handle foreign exchange registration of overseas direct investment.

LAWS RELATING TO CYBERSECURITY AND DATA SECURITY

On July 1, 2015, the Standing Committee of the National People’s Congress (the “SCNPC”) promulgated the State Security Law of the PRC (《中華人民共和國國家安全法》), which became effective on the same day, pursuant to which the state shall establish a national security review and supervision system to review, foreign investment, specific items and key technologies, internet and information technology products and services, construction projects relating to national security matters and other major matters and important activities that are impact or likely to impact national security of China.

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 and implemented since January 1, 2016, network operators are defined as the owners, managers and network service providers of networks. When conducting business activities and providing services, network operators shall abide by laws and regulations and fulfill their network security protection obligations.

The SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》), which became effective on September 1, 2021. Pursuant which, China has established a data classification and hierarchical protection system to conduct classified and hierarchical protection of data. Entities carried 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.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the “Patent Law”) promulgated by the SCNPC and came into effect on June 1, 2021, and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council 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 filing date. Following the grant of patent rights for an invention or a utility model, unless otherwise stipulated in this Law, no organization or individual shall implement the patent without licensing from the patentee. Following the grant of design patent rights, no organization or individual shall implement the patent without licensing from the patentee.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC and came into effect on November 1, 2019, and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council and came into effect on May 1, 2014, trademarks approved and registered by the Trademark Bureau are registered trademarks, including commodity trademarks, service marks and collective trademarks, certification marks; trademark registrants enjoy exclusive rights to use trademark and are protected by the law. The validity period of a registered trademark is ten years from the date of approval for registration. Upon expiry of the validity period of a registered trademark, where the trademark registrant intends to continue using the trademark, it shall complete renewal formalities pursuant to

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the provisions within the 12-month period before the expiry date; where renewal formalities are not completed within the stipulated period, a six-month extension may be allowed. The validity period of each renewal shall be 10 years, commencing from the date following expiry of the preceding validity period of the said trademark. Where renewal formalities are not completed upon expiry of the validity period, the registered trademark shall be cancelled.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC and came into effect on June 1, 2021, and the Implementation Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council 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 this 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.

Pursuant to the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council and became effective on March 1, 2013, and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration and implemented on July 1, 2004, “computer software” (the “**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 31 December 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 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 and became effective on October 1, 2001, where Chinese natural persons, legal persons or other organizations create the Layout Design of Integrated Circuits(集成電路佈圖設計) (the “**Layout Design**”), 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. 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, 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 time 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 and became effective on November 1, 2017. The MIIT is the main regulatory authority responsible for implementing supervision and administration over domain name services nationwide. Domain names registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

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LAWS AND REGULATIONS ON LAND, PLANNING AND PROJECT CONSTRUCTION LAND

Land

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC and implemented on January 1, 2020, the Implementing Regulation for the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) promulgated by the State Council and became effective on September 1, 2021, and the Provisional Regulations of the PRC for the Grant and Assignment of the Right to Use the State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated by the State Council and implemented on November 29, 2020, the land in urban is State-owned. While the land in rural and urban, is collectively-owned of farmers, except for land which is legally owned by the State. Homestead and private plots, private hills, is collectively-owned of farmers. The State-owned land may be used by third parties through grant, allocation, lease, capital contribution and other forms. Third parties who have obtained the State-owned land use rights may legally use, profit from and dispose of the State-owned land use rights within the statutory term of use and scope of planned uses.

Planning

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC and became effective on April 23, 2019, if the construction of buildings, structures, roads, pipelines and other projects is carried out in the planned area of a city or a town, the construction entity or individual shall apply to the competent authority of urban and rural planning of the people’s government of the city or county or the people’s government of the town as determined by the people’s government of the province, autonomous region or municipality directly under the Central Government for a construction project planning permit.

Project Construction

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the SCNPC and became effective on April 23, 2019, prior to the commencement of construction work, the construction entity shall apply to the competent construction administrative authority of the people’s government at or above the county level where the project is located for a construction permit in accordance with the relevant provisions of the State, except for small-scale projects under the quota as determined by the construction administrative authority under the State Council. A construction project shall be delivered for use only after it has passed the acceptance examination. A construction project shall not be delivered for use without conducting or passing the acceptance examination.

LAWS AND REGULATIONS RELATING TO PROPERTY LEASING

Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC and effective on 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, and effective on 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 with the development (real estate) department of the People’s Government of the centrally-administered municipality, municipality or county where the leased property is located. Individuals or organizations who violate the foregoing provisions shall be ordered by the development (real

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estate) department of the People’s Governments of centrally-administered municipalities, municipalities or counties to make correction within a stipulated period; where the individual failed to make correction within the stipulated period, a fine of not more than RMB1,000 shall be imposed; where the organization failed to make correction within the stipulated period, a fine ranging from RMB1,000 to RMB10,000 shall be imposed.

LAWS ON 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 and effective 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. The forgery or imitation of quality marks such as certification marks is prohibited; falsifying the place of origin of product and falsifying or imitating the name or address of another factory is prohibited; adulteration of, or mixing of improper elements with products under manufacturing or on sale, passing off the sham as the genuine or passing off the inferior as the superior is prohibited.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT TRADE

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (the “**Foreign Trade Law**”) promulgated by the SCNPC and effective on December 30, 2022 and the Regulations on the PRC 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》) issued by the State Council and effective on May 1, 2024, the state allows the free import and export of goods, and maintains fair and orderly import and export trade of goods according to law. No entity or individual may establish or maintain prohibitive or restrictive measures over the import and export of goods, except for the goods which are explicitly prohibited or restricted by laws or administrative regulations.

The Provisions on the Registration of Customs Declaration Entities of the People’s Republic of China (《中華人民共和國海關報關單位備案管理規定》) was promulgated by the General Administration of Customs and took effect on January 1, 2022, pursuant to which the consignee or consignor of imported or exported goods or a customs declaration enterprise needs to apply for record-filing to the customs. The record-filing information shall be made public via the Import and Export Credit Information Publicity Platform of the Customs of China.

According to the Foreign Trade Law, the requirements for foreign trade operators engaging in goods or technology import and export to go through the record-filing registration with the foreign trade department of the State Council or its authorized agencies have been abolished.

LAWS ON ENVIRONMENTAL PROTECTION AND PRODUCTION SAFETY

Environment Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated by the SCNPC and took effect on January 1, 2015, the environmental protection department of the State Council is authorized to issue the standards for national environmental quality and national pollutant emissions, and to implement unified supervision and administration of environmental protection work nationwide. Facilities for the prevention and control of pollution in a construction project shall be designed, constructed and put into operation simultaneously with the main work. Enterprises and other producers that are applicable to the administration of pollutant discharge permit can only discharge pollutants in accordance with the requirements of the pollutant discharge permit, and shall not discharge pollutants without a pollutant discharge permit.

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Production Safety

According to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) issued by the SCNPC and effective on September 1, 2021, a production and operation enterprise shall possess conditions for work safety as set out in this law, the relevant laws, administrative rules and national or industry standards. An entity that cannot provide required conditions for work safety shall not engage in production and business operation activities.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL SECURITY

Labor Law and Labor Contract Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》), promulgated by the SCNPC and effective on December 29, 2018, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), promulgated by the SCNPC and effective on July 1, 2013, a labor contract shall be concluded for establishment of work relationships. Wages paid by the employers to their employees shall not be less than the local minimum wage standards. Employers shall establish and improve labor rules and regulations according to law to ensure their employees enjoy labor rights and perform labor obligations.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), promulgated by the SCNPC and effective on December 29, 2018, the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), promulgated by the State Council and effective on March 24, 2019, and the Regulations on the Housing Provident Fund (《住房公積金管理條例》), promulgated by the State Council and effective on March 24, 2019, employers shall pay basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing provident fund for their employees. If an employer fails to make full contribution to the social insurance premium on time, the social insurance contribution collection agency shall order such employer to make contribution or make up the outstanding amount within a prescribed period, and it may charge a late fee at the rate of 0.05% on a daily basis from the delayed payment date; if the employer fails to make payment within the prescribed period, the relevant administrative department may impose a fine of one to three times the overdue amount. If an employer fails to make full contribution to the housing provident fund on time, the housing provident fund management center shall order the employer to make contribution within a prescribed period; if the employer fails to make contribution within the prescribed period, an application may be submitted to the people’s court for enforcement.

According to the Supreme People’s Court’s Interpretation (II) on Several Issues Concerning the Application of Law in Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), promulgated by the Supreme People’s Court and effective on September 1, 2025, if an employer and an employee agree or the employee undertakes to the employer that social insurance contributions need not be paid, the People’s Court shall deem such agreement or undertaking invalid. Where an employer fails to pay social insurance contributions in accordance with the law, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to Item 3 of Article 38 of the Labor Contract Law, the People’s Court shall support such claims. Under the aforementioned circumstances, if the employer requests the employee to return the paid social insurance premium compensation after paying the social insurance premium according to law, the people’s court shall support such request according to law.

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

Securities Laws

According to the Securities Law of the RRC (《中華人民共和國證券法》) (the “**Securities Law**”), promulgated by the SCNPC and came into effect on March 1, 2020, a domestic enterprise issuing securities overseas directly or indirectly or listing and trading their 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 China Securities Regulatory Commission (the “**CSRC**”) is the securities regulatory body set up by the State Council to implement centralized and unified supervision and administration of the national securities market according to law. 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 Listings

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Measures**”) promulgated by the CSRC and effective on March 31, 2023, domestic enterprises issued and listed overseas shall file with the CSRC in accordance with the Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where an issuer makes an overseas [REDACTED] or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing.

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》) jointly issued by the CSRC and other relevant departments and effective on 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 PRC and the requirements of the Provisions, 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.

U.S. EXPORT CONTROL AND ECONOMIC SANCTIONS

The United States administers a comprehensive export-control and economic-sanctions framework aimed at protecting national-security and foreign-policy interests. This system — implemented principally through the Export Administration Regulations (“**EAR**”) by the Department of Commerce and sanctions authorities administered by the Department of the Treasury and the Department of Defense — imposes licensing requirements, end-use and end-user restrictions, foreign direct product controls, and list-based prohibitions on dealings with designated parties. The following content outlines the key rules and restricted-party lists specifically relevant to the Company’s assessment.

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- **BIS Entity List Restrictions**

According to the EAR § 744.16, in addition to the license requirements for items specified on the CCL, any entity may not, without a license from BIS, export, reexport, or transfer (in-country) any items included in the License Requirement column of an entry on the Entity List (supplement no. 4 to the EAR § 744.16) when an entity associated with that entry or when any person using an address identified in the Entity List entry as a high-risk diversion address is a party to a transaction as described in § 748.5(c) through (f) of the EAR.

- **FN1 FDP Rule**

A foreign-produced item is subject to the EAR if it meets the product scope and end-user scope in Entity List FDP Rule footnote 1, footnote 4 or footnote 5 provisions. The Entity List footnote 1 FDP Rule (FN1 FDP) applies if foreign-produced item meets both product and end-user conditions.

Product Scope: the foreign-produced item is the direct product of technology or software that is subject to the EAR and specified in ECCNs such as 3D001, 4D001, 5D001, 5D991, 5E991, etc.; or items produced by a plant or major component that is itself the direct product of such U.S.-origin technology or software.

End-user Scope: there is knowledge that the item will be used in activities involving a FN1 designated entity, or when the FN1 designated entity is a party to the transaction.

- **FN5 FDP RULE**

The Entity List footnote 5 FDP Rule (FN5 FDP) applies if foreign-produced item meets both product and end-user conditions.

Product Scope: the foreign-produced commodity is specified in ECCN 3B001 (except 3B001.a.4, c, d, f.1, f.5, f.6, g, h, k to n, p.2, p.4, r), 3B002 (except 3B002.c), 3B903, 3B991 (except 3B991.b.2.a through 3B991.b.2.b), 3B992, 3B993, or 3B994, and meets the definition of a “direct product” under the relevant provisions.

End-user Scope: activities involving Footnote 5 designated entities and for entities located at “facilities” where the “production” of “advanced-node integrated circuits” occurs; or Footnote 5 designated entities and for “advanced-node integrated circuits” “production” “facilities” as transaction parties.

- **SME Foreign Direct Product Rule**

A foreign-produced commodity is subject to the EAR if it meets both the product scope and the destination scope specified in Semiconductor Manufacturing Equipment (SME) FDP Rule.

Product Scope: the product scope applies to a foreign-produced commodity specified in ECCN 3B001.a.4, c, d, f.1, f.5, f.6, k to n, p.2, p.4, r, or 3B002.c which meets the direct product condition as described in § 734.9(k)(1).

Destination Scope: a foreign-produced item meets the destination scope if there is “knowledge” that the foreign-produced item is destined to Macau or a destination in Country Group D:5 of supplement no. 1 to part 740 of the EAR. To be more specific, China is one of the countries designated in Country Group D:5.

- **Department of Defense NDAA §1260H List**

Amended in 2025, 1260H List mostly prohibits the U.S. Department of Defense (DoD) from entering into, renewing, or extending contracts for goods, services, or technology with entities on the Chinese Military Company List or their affiliates. Contracts with companies controlled by these listed entities are also prohibited.

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- **U.S. Treasury’s Non-SDN CMIC List**

Non-SDN Chinese Military-Industrial Complex Companies List, published by the Department of the Treasury’s Office of Foreign Assets Control (OFAC) is designed as a reference tool that identifies persons subject to certain sanctions that have been imposed under statutory or other authorities.

A United States person is prohibited from certain purchase or sale of publicly traded securities of CMIC List entities, and any transaction that evades or avoids, is intended to evade or avoid, causes a violation of, or attempts to violate any of the prohibitions set forth is prohibited. OFAC published several new Frequently Asked Questions (“FAQs”) on application of Non-SDN CMIC List, and FAQ 905 clarifies that U.S. Persons are not prohibited from engaging in all activities with CMICs.

REGULATIONS ON U.S. OUTBOUND INVESTMENTS

On August 9, 2023, the U.S. government issued Executive Order 14105, launching efforts to regulate certain outbound investments involving China. The U.S. Department of the Treasury followed with rulemaking, culminating in a Final Rule (the “U.S. Outbound Investment Rule” or the “OIR”) on October 28, 2024 (effective January 2, 2025) that established the “Outbound Investment Security Program.” This program focuses on investments by U.S. persons in advanced technology sectors in “countries of concern” (currently China, including Hong Kong and Macau).

Under the U.S. Outbound Investment Rule, U.S. persons (including U.S. citizens and permanent residents, entities organized under U.S. law (including their foreign branches), and any person in the U.S.) are subject to investment prohibitions and notification requirements for certain transactions in three sensitive technology categories (semiconductors and microelectronics, quantum information technologies, and artificial intelligence systems). These restrictions apply when a transaction involves a “Covered Foreign Person” — generally an entity in a country of concern engaged in a “Covered Activity.” Pursuant to 31 C.F.R. § 850.208 and § 850.209, to constitute a “covered foreign person,” the entity should either: (i) engage in a “covered activity”; (ii) have a specified relationship with one or more persons of a country of concern that engages in a “covered activity”; or (iii) participate in a joint venture with a U.S. person if such joint venture is engaged in a “covered activity.” For the first prong, with respect to the semiconductors and microelectronics sector, the OIR defines the following as “covered activities”: (i) Design, fabrication, or packaging of (advanced) any integrated circuit; (ii) Development or production of certain electronic design automation software; (iii) Development or production of certain semiconductor fabrication equipment, or certain packaging equipment; and (iv) Development or production of items, materials, software, or technology designed exclusively for use in or with extreme ultraviolet lithography fabrication equipment. For the second prong, under 31 C.F.R. § 850.209(a)(2), the relationship must meet two conditions. First, the relevant person must hold a specified interest in a person of a country of concern that engages in a covered activity. That interest can take the form of a voting interest or equity interest (other than through securities or interests that would satisfy the conditions in § 850.501(a) if held by a U.S. person), board seat (voting or observer), or the contractual power to direct or cause the direction of the management or policies of the person of a country of concern. Second, if there is such an interest, then more than 50 percent of the first person’s revenue, net income, capital expenditure, or operating expenses need to be attributable to the person of a country of concern for § 850.209(a)(2) to apply. The first person also meets this condition if the person holds a specified interest in more than one person of a country of concern engaged in a covered activity, and more than 50 percent of the first person’s revenue, net income, capital expenditure, or operating expenses is attributable to such persons of a country of concern, in aggregate. Covered transactions include activities such as acquiring equity interests (including contingent equity interests), providing debt financing, forming joint ventures, or investing as a limited partner in a fund, when such activities involve a Covered Foreign Person. Certain exceptions

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are provided. Notably, investments in publicly traded securities that trades on a securities exchange are exempted, except to the extent that the investments would provide rights beyond minority shareholder protections.

Non-compliance can result in significant penalties: civil fines up to the greater of twice the transaction value or approximately US\$377,700, and for willful violations, criminal fines up to US\$1,000,000 and imprisonment for up to 20 years. Any investor that is uncertain about the OIR’s application to its purchase of Shares in this [REDACTED], should consult its own counsel.

U.S. TARIFF POLICY

The U.S. tariff regime is structured around the Harmonized Tariff Schedule of the United States (“**HTSUS**”), under which imported goods are classified by HTS code and subject to the corresponding base MFN duty rate. In recent years, imports from China have been subject to multiple layers of additional duties that operate cumulatively, including: (i) Section 301 tariffs imposed under the Trade Act of 1974, (ii) fentanyl-related tariffs imposed pursuant to Executive Orders issued under the International Emergency Economic Powers Act (“**IEEPA**”), and (iii) “reciprocal tariffs” applied under Executive Order 14257 and subsequent amendments. For many Chinese-origin products, the MFN duty forms only a minor portion of the total rate, and the effective duty burden is largely driven by these supplemental measures.

U.S. tariff policy has undergone substantial adjustments since 2025. Following a series of escalatory measures early in the year — including increases to fentanyl-related duties and sharp rises in reciprocal tariffs — the United States adopted a limited easing pursuant to the Geneva, Stockholm and Kuala Lumpur arrangements. On February 20, 2026, the United States Supreme Court’s decision determined that the President lacks authority under IEEPA to impose tariffs, thereby rendering the tariffs imposed pursuant to IEEPA invalid. On February 24, 2026, a 10% global baseline tariff under Section 122 of the Trade Act of 1974 became effective for a 150-day period. The broader tariff environment remains fluid, with frequent amendments to HTSUS annexes that define the scope and rate of applicable duties.