LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN THE PRC

Overview

Our business in the People's Republic of China (the "**PRC**") is subject to supervision and administration by the PRC government. This section sets out a summary of relevant laws and regulations that may have a material impact on our business.

Laws and Regulations on Foreign Investment

The establishment, operation and management of companies in China are governed by the PRC Company Law (《中華人民共和國公司法》), which was promulgated in 1993 and last amended and took effective on July 1, 2024. The PRC Company Law applies to both PRC domestic companies and foreign investment companies.

According to the Foreign Investment Law, which was promulgated on March 15, 2019 and took effective on January 1, 2020, the State Council shall promulgate or approve a list of special administrative measures for access of foreign investments, or the negative list. The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the negative list. The Foreign Investment Law provides that foreign investors shall not invest in the "prohibited" industries, and shall meet certain requirements as stipulated under the negative list for making investment in "restricted" industries. On September 6, 2024, the Ministry of Commerce of the People's Republic of China (the "**MOFCOM**") and the National Development and Reform Commission (the "**NDRC**") promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2024) (《外商投資准入特別管理措施(負面清單) (2024年版)》), or the Negative List (2024), which became effective on November 1, 2024.

The Company Law

Pursuant to the Company Law of the People's Republic of China (《中華人民共和國公司法》) (the "Company Law"), which was initially implemented by the Standing Committee of the National People's Congress (SCNPC) on December 29, 1993, most recently revised on December 29, 2023, and effective from July 1, 2024, both limited liability companies and companies limited by shares established within China possess legal person status. Shareholders of a limited liability company are liable to the company to the extent of their respective capital contributions, while shareholders of a company limited by shares are liable to the company to the extent of their respective subscribed shares. Unless the laws on foreign investment provide otherwise, the Company Law is also applicable to foreign-invested enterprises.

The Securities Law

The Securities Law of the PRC (中華人民共和國證券法) (the "Securities Law") took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively, and the latest revised Securities Law came into effect on March 1, 2020. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the Securities Law provides that domestic enterprises issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign issued shares are mainly governed by the regulations and rules promulgated by the State Council and the CSRC.

Laws and Regulations Relating to Express Delivery Services

The PRC Postal Law (《中華人民共和國郵政法》), which was promulgated on December 2, 1986 and was last amended on April 24, 2015, sets out the fundamental rules on the establishment and operation of an express delivery company. Pursuant to the PRC Postal Law, an enterprise that operates and provides express delivery services must operate its express delivery business by obtaining a Courier Service Operation Permit. In order to apply for a Courier Service Operation Permit, a company must meet all the requirements as a corporate legal person and satisfy certain prerequisites with respect to its service capacity and management system, and its registered capital must be no less than RMB2,000,000 to operate international express delivery services. Enterprises engaged in express delivery services other than China Post and their wholly owned and/or controlled enterprises that provide postal services ("**Postal Enterprise**") may not engage in post and mail delivery business which are exclusively operated by Postal Enterprise, and may not deliver any official documents of state-owned organizations.

Pursuant to the Administrative Measures on Courier Service Operation Permits (《快遞業務經營許可管理辦法》), which was promulgated on September 1, 2009 and last amended on November 28, 2019, the Courier Service Operation Permit is valid for 5 years upon its issuance and an enterprise engaged in express delivery services must submit an annual report with the postal administrative authority which issued its Courier Service Operation Permit prior to April 30, each year. Where an enterprise engaged in the express delivery business merges with any other enterprises, survives its division, or establishes, revokes any branch or any item of such branch recorded with the postal administration department changes, it shall file a record with the relevant postal administration departments.

Pursuant to the PRC Postal Law and the Administrative Measures on Courier Service Operation Permits, any entity engaged in express delivery services must obtain a Courier Service Operation Permit from the State Post Bureau or its local counterpart and is subject to their supervision and regulation. If an entity operates express delivery services without obtaining a Courier Service Operation Permit in accordance with the above measures and regulations, it may be compelled to make corrections, subject to the confiscation of its earnings generated from its unlicensed operating express delivery services, imposed a fine ranging from RMB50,000 to RMB100,000 or where the circumstances are severe, ranging from RMB100,000 to RMB200,000. If an express delivery enterprise fails to file a record when merging with any other enterprises, surviving its division or establishing a branch, the postal administration department shall order rectification and impose a fine of up to RMB10,000, and for a serious circumstance, a fine ranging from RMB10,000 to RMB50,000 may be imposed and the postal administration department may order it to suspend its business operation for rectification.

Companies engaged in express delivery service must establish and implement a system for the examination of parcels or articles received for delivery. Pursuant to the PRC Postal Law and Measures for the Supervision and Administration of Postal Security in the Postal Industry (《郵政業寄遞安全監督管理辦法》) issued on January 2, 2020, and last amended on December 20, 2023, express delivery companies must examine the postal articles so as to inspect whether the postal articles are prohibited or restricted from express delivery. Express delivery companies must also examine whether the names, nature and quantity of the postal articles are consistent with delivery form. According to the Interim Regulations on Express Delivery, express delivery operators shall also verify the identity of senders and register their identity information when receiving express parcels. Where senders refuse to furnish their identity information or furnish false identity information, express delivery operators shall not receive their express parcels. Pursuant to the Provisions on the Administration of Articles Prohibited from Delivery (《禁止寄遞物品管理規定》) jointly released by the State Post Bureau, the Ministry of Public Security, and the Ministry of State Security on November 7, 2016, delivery service providers should strictly implement the rules on checking articles received for delivery, and the customer may not insert articles prohibited from delivery in mail or express deliveries, nor attempt to send articles prohibited from delivery by withholding information or lying about such articles.

Pursuant to the E-commerce Law of the PRC (《中華人民共和國電子商務法》) which took effect on January 1, 2019, express delivery operator serving e-commerce businesses are subject to certain requirements, including but not limited to the following: while handing over commodities, express logistics service providers shall remind recipients to examine the commodities immediately on the spot; where the commodities are received by others for recipients, such providers shall obtain the consent of consignees. Express delivery operator shall use environmental-friendly packaging materials in accordance with the relevant provisions in an effort to reduce the consumption of and recycle packaging materials. While offering express logistics services, the providers thereof may also be entrusted by e-commerce operators to collect payments for goods.

Laws and Regulations Relating to Road Transportation Operation

Pursuant to the Regulations on Road Transportation of the PRC (《中華人民共和國道路運輸條例》) promulgated in 2004 and last amended on July 20, 2023, and the Provisions on Administration of Road Freight Transportation and Stations (Sites) (《道路貨物運輸及站場管理規定》) issued in 2005 and last amended on November 10, 2023 (the "**Road Freight Provisions**"), the business operations of road freight transportation refer to commercial road freight transportation activities that provide public services. The road freight transportation includes general road transportation, special road transportation. Special road freight transportation refers to freight transportation using special vehicles with containers, refrigeration equipment, or tank containers, etc. The Road Freight Provisions set forth detailed requirements with respect to vehicles and drivers.

Under the Road Freight Provisions, anyone engaged in the business of operating road freight transportation must obtain a Road Transportation Operation Permit from the road transportation administrative bureau, and each vehicle used for road freight transportation must have a Road Transportation Certificate from the same authority. Those who use ordinary freight vehicles with a total mass of 4,500 kg or less to engage in ordinary freight transport operations are not required to apply for obtaining the Road Transportation Operation License and the Road Transportation Certificate. The incorporation of a subsidiary of road freight transportation operator that intends to engage in road transportation business is subject to the same approval procedure. If it intends to establish a branch, it should file with the local road transportation administrative bureau.

Laws and Regulations on International Freight Forwarding and Domestic Transportation

International Freight Forwarding

Pursuant to the Administrative Regulations of the People's Republic of China on International Freight Forwarding Industry (《中華人民共和國國際貨物運輸代理業管理規定》) promulgated on June 29, 1995, international freight forwarding industry refers to the industry where an agent, being entrusted by consignees or consignors of import or export goods, carries out international cargo transportation and related business for its principals in their names or in the agent's own name and receive remunerations for its services. If an application for establishing an international freight forwarding enterprise is to be made, the applicant shall apply to the local competent authority of foreign trades at the place where such enterprise is intended to be established. After being commented by the local competent authority of foreign trades, the application shall be submitted to the competent authority of foreign trades and economic cooperation under the State Council for its review and approval. The competent authority of foreign trades and economic cooperation under the State Council shall decide whether to grant an approval within 45 days upon receipt of application form and other documents for establishing an international freight forwarding enterprise, and issue a certificate of approval to the enterprise being approved to be established.

Pursuant to the Interim Measures for Filing of International Freight Forwarding Enterprises (《國際貨運代理企業備案(暫行)辦法》) which was promulgated on March 2, 2005, and last amended on August 18, 2016, any international freight forwarding enterprise and its branches ("**IFFE**") that are registered with the state administrative authority of industry and commerce according to law shall complete the filing with the MOFCOM or an institution entrusted by the MOFCOM. The filing authority shall complete the filing procedures within 5 days upon receipt of application materials submitted by the IFFE and affix the filing seal on the Filing Form of International Freight Forwarding Enterprise.

Cargo Transport by Civil Aviation

According to the Provisions on the Administration of Cargo Transport by Civil Aviation (《民用航空貨物運輸管理規定》), promulgated by the Ministry of Transport of the PRC on June 19, 2024, the provisions shall apply to the activities related to cargo transport by civil aviation conducted by carriers, airport management institutions, ground service agents, consignors, and other entities and individuals within the territory of the PRC. A consignor shall accurately declare the cargo name, and correctly classify, identify, pack, mark, and label the cargo, and provide true, complete, and valid documents related to cargo transport by civil aviation. And the consignor's agent engaged in cargo transport by civil aviation shall hold the consignor's letter of authorization, and shall be governed by the provisions of these Provisions on the consignor's responsibilities. No entity or individual may consign, accept for carriage, or carry items prohibited by the state from transport by civil aviation. For items restricted by the state from transport by civil aviation, the consignor shall provide true, complete, and valid supporting documents in accordance with the applicable provisions. A consignor shall not conceal prohibited or restricted items or dangerous goods, among others, in cargo or the package thereof.

Laws and Regulations on Customs Declaration

The Customs Law of the PRC (《中華人民共和國海關法》) which was promulgated in 1987 and last amended on April 29, 2021, stipulates that the customs of the PRC is a governmental organization responsible for supervision and control over all arrivals in and departures from the customs territory. All the transports, goods and articles shall enter into or exit from the territory of the PRC at a place where a customs office is established. The customs declaration and duty payment formalities may be undergone by the consignees or consignors of imported and exported goods, or by the customs clearing enterprises entrusted by such consignees or consignors. The consignees or consignors of imported and exported goods and the customs clearing enterprises shall file records with the customs when undergoing customs declaration formalities, otherwise may be imposed fines by the customs. When a customs broker accepts the entrustment of a consignee or consignor of import and export goods to handle customs declaration procedures in the name of the entrustor, it shall submit to the customs a power of attorney signed by the entrustor and comply with all provisions of Customs Law of the PRC applicable to the entrustor. When a customs broker accepts the entrustment of a consignee or consignor of import and export goods to handle customs declaration procedures in its own name, it shall bear the same legal responsibilities as the consignee or consignor. When a consignor entrusts a customs broker to handle customs declaration procedures, it shall provide the customs broker with the true information regarding the entrusted customs declaration matters; when a customs broker accepts the entrustment of a consignor to handle customs declaration procedures, it shall conduct reasonable examination of the authenticity of the information provided by the entrustor.

According to the Administrative Provisions of the Customs of the PRC on Record-Filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) issued by the General Administration of Customs of the PRC (the "**GACC**") on November 19, 2021 and effective from January 1, 2022, the consignees or consignors of imported and exported goods and the customs clearing enterprise that apply for the filing of records with the customs shall obtain the status of a market entity; where the consignees or consignors of imported and exported goods apply for the filing of records with the customs, the filing of foreign trade dealers shall also be completed.

In addition, the Decision of the SCNPC on revising the Foreign Trade Law of the PRC (《全國人民代表大會常務委員會關於修改<中華人民共和國對外貿易法>的決定》) issued by the SCNPC on December 30, 2022 deleted the requirements on the foreign trade dealers engaged in the import and export of goods or technologies to be registered with the competent administrative departments of foreign trade of the State Council or any institutions authorized thereby, namely the filing of foreign trade dealers.

Laws and Regulations on Foreign Exchange

Foreign Exchange

Pursuant to the Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated in 1996, and last amended on August 5, 2008, and the Administrative Regulations on Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996 and effective on July 1, 1996, Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments after the relevant financial institutions have reasonably examined the authenticity of the transactions and their consistency with foreign exchange receipts and payments, but are not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside the PRC unless the approval of the State Administration of Foreign Exchange (the "**SAFE**") or its local counterparts is obtained in advance.

Pursuant to the Notice of the People's Bank of China and the State Administration of Foreign Exchange on Issues Concerning the Administration of Funds Raised by Domestic Enterprises Listed Overseas (《中國人民銀行國家外匯管理局關於境內企業境外上市資金管理有關問題的通知》) promulgated by People's Bank of China and the SAFE on December 24, 2025 and effective on April 1, 2026, a domestic enterprise that conducts an overseas listing shall, within 30 working days from the first trading day of the overseas listing or the completion of the over-allotment option, apply to a bank within the province or the separately-listed municipality where it is registered for overseas listing registration. In principle, funds raised by domestic enterprises through overseas listings shall be remitted back to the territory in a timely manner. Where such funds are retained overseas for the conduct of overseas direct investment, overseas securities investment, overseas lending and other businesses, the domestic enterprise shall obtain the approval or filing documents from the business competent authorities before the date of completion of the overseas issuance or the over-allotment option, and shall comply with relevant cross-border funds administration provisions.

Regulations on Taxation

Enterprise Income Tax

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Track Record Period, except for disclosed below.

According to the Announcement of the Ministry of Finance and the State Administration of Taxation on the Relevant Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households (《財政部、國家稅務總局關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》), which was promulgated on 2 August 2023 and implemented on 1 January 2023, the annual taxable income of a small and micro enterprise shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%, which will be extended until 31 December 2027.

According to the Notice of the Ministry of Finance and the State Taxation Administration of the Preferential Enterprise Income Tax Policies for the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (財政部稅務總局關於延續深圳前海深港現代服務業合作區企業所得稅優惠政策的通知) dated May 27, 2021, and will be effective until December 31, 2025 enterprises that meet the conditions and are located in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone are subject to a reduced corporate income tax rate of 15%. To enjoy the aforementioned preferential policies, enterprises must meet the conditions of having the main business as the industrial projects specified in the Corporate Income Tax Preferential Directory in Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone (2021 Edition) (前海深港現代服務業合作區企業所得稅優惠目錄(2021版)), and their main business revenue must account for more than 60% of the total revenue, Cross-border logistics business is classified as the first category of industrial projects "modern logistics industry" in the Corporate Income Tax Preferential Directory in Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone (2021 Edition) (前海深港現代服務業合作區企業所得稅優惠目錄(2021版)) and is eligible for a 15% income tax preference.

Value-added Tax

In accordance with the Provisional Regulations of the People's Republic of China on Value-added Tax (2017 Revision) (《中華人民共和國增值稅暫行條例》(2017修訂)) which was promulgated by the State Council on December 13, 1993, and was latest amended on November 19, 2017, with the latest revision effective on the same date, the Detailed Rules for the Implementation Rules for the Provisional Regulations the People's Republic of China on Value-added Tax (2011 Revision) (《中華人民共和國增值稅暫行條例實施細則》(2011修訂)) which was promulgated by the Ministry of Finance (財政部) on December 25, 1993, and was latest amended on October 28, 2011, with the latest revision effective on November 1, 2011; In accordance with the Decisions on Abolishing the PRC Provisional Regulations on Business Tax and Amending the PRC Provisional Regulations on Value-Added Tax (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》) which was promulgated by the State Council and effective on November 19, 2017 and the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) which was promulgated by the Ministry of Finance and the State Administration of Taxation on April 4, 2018 and came into effect on May 1, 2018, entities and individuals selling goods, services and intangible assets in the People's Republic of China VAT taxpayers and shall pay VAT. Taxpayers selling services and intangible assets are subject to a tax rate of 6%, except in particular circumstances.

On December 25, 2024, the SCNPC promulgated the VAT Law of the PRC (《中華人民共和國增值稅法》), which will come into effective on January 1, 2026, and replace the Provisional Regulations on Value-added Tax of the PRC.

Pursuant to the Administrative Measures on Tax Exemption for Cross-border Acts Subject to VAT in the Pilot Scheme for Levying VAT in place of Business Tax (《營業稅改徵增值稅跨境應稅行為增值稅免稅管理辦法(試行)》), which is promulgated by the State Administration of Taxation on May 6, 2016 and effective on May 1, 2016 with the latest version amended on December 27, 2024, collection and delivery services provided for export goods are exempt from VAT.

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the "Circular 36"), which was implemented on May 1, 2016, international cargo transport agency services are exempt from VAT.

Dividends Distribution

The principal laws, rules and regulations governing dividend distributions by foreign-invested enterprises in the PRC are the Company Law, promulgated in 1993 and latest amended in 2023, and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was promulgated by the SCNPC on September 10, 1980 and last revised on August 31, 2018, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was promulgated by the State Council on January 28, 1994 and last revised on December 18, 2018, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty. Pursuant to the EIT Law and the Implementation Rules of the EIT Law, an enterprise income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC, unless any such non-PRC resident investors' jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement.

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese EIT imposed on the dividends received from PRC companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with Hong Kong, Macau, and several countries and regions. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the EIT more than the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Laws and Regulations on Outbound Investments by Enterprises

Pursuant to the Administrative Measures on Outbound Investments (《境外投資管理辦法》), which was promulgated by the MOFCOM on March 16, 2009, lastly amended on September 6, 2014 and effective on October 6, 2014, overseas investments of enterprises involving sensitive countries and regions and sensitive industries shall be subject to examination and approval by the competent department of commerce and other overseas investments of enterprises shall be subject to filing. The competent department of commerce shall carry out the administration of overseas investments of enterprises through the overseas investment administration system (境外投資管理系統), and issue to enterprises which have obtained filing or approval a Certificate of Overseas Investments of Enterprises (《企業境外投資證書》). When the domestic institution invests in an overseas enterprise through its overseas subsidiary, it shall report to the competent department of commerce after completing the overseas legal formalities of reinvestment.

Pursuant to the Administrative Measures for the Outbound Investments by Enterprises (《企業境外投資管理辦法》) (the "**Enterprise Outbound Investments Measures**"), which was promulgated by the NDRC on December 26, 2017 and became effective on March 1, 2018, projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby and the approval authority is NDRC. Projects subject to filing are non-sensitive projects directly carried out by investors.

Pursuant to the Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《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 implemented on August 1, 2009 and the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on February 13, 2015, implemented on June 1, 2015 and was partially repealed on December 30, 2019, stipulates that, upon obtaining the approval for overseas investment, the overseas direct investment of PRC enterprises shall apply for foreign exchange registration to the banks at their places of registration.

Laws and Regulations on Employment and Social Welfare

Labor Law and Labor Contracts

Pursuant to Labor Law of the PRC (《中華人民共和國勞動法》) (last amended by the SCNPC and effective on December 29, 2018), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (last amended by the SCNPC on December 28, 2012 and effective on July 1, 2013) and the Regulation on the Implementation of the Employment Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (promulgated by State Council and effective on September 18, 2008), an employer unit shall establish and improve its rules and regulations in accordance with the law in order to ensure that workers enjoy labor rights and perform labor obligations. A written labor contract is required when an employment relationship is established between an employer and an employee. A labor contract shall include the following clauses: term of labor contract; working hours and rest periods and off days; labor remuneration; social security; labor protection, working conditions and occupational hazard prevention and protection; and any other matters to be included in a labor contract as stipulated by the laws and regulations.

Social Insurance

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (last amended by the SCNPC and effective on December 29, 2018), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (last amended by the State Council and effective on March 24, 2019), the Regulations on Unemployment Insurance (《失業保險條例》) (promulgated by the State Council and effective on January 22, 1999) and the Regulations on Work-related Injury Insurances (《工傷保險條例》) (last amended on December 20, 2010 by the State Council and effective on January 1, 2011), the state shall establish social security systems such as basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, family planning insurance, etc., to protect the rights of citizens for obtaining material assistance from the state and the society pursuant to the law in the circumstances of old age, illness, work injury, unemployment, family planning, etc. Employers must pay a number of social security funds for their employees, including basic endowment insurance, medical insurance, work injury insurance, unemployment insurance, family planning insurance. Employers which failed to complete social security registration shall be ordered by the social security administrative authorities to make correction within a stipulated period; where correction is not made within the stipulated period, the employer shall be subject to a fine ranging from one to three times the amount of the social security premiums payable, and the person(s)-in-charge who is/are directly accountable and other directly accountable personnel shall be subject to a fine ranging from RMB500 to RMB3,000.

Housing Provident Fund

Pursuant to Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) (last amended by the State Council and effective on March 24, 2019), an employer shall go to the housing provident fund management center to undertake registration of payment and deposit of the housing provident fund and, upon verification by the housing provident fund management center, go to a commissioned bank to go through the formalities of opening housing provident fund accounts on behalf of its employees.

Where, in violation of the provisions of the Regulations, an employer fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

Laws and Regulations on Intellectual Property Rights

Copyright and Software Products

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and lastly amended on November 11, 2020, and the Implementing Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002 and lastly amended on January 30, 2013, the PRC nationals, legal persons, and other organizations shall, enjoy copyright in their works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software.

In order to further implement the Computer Software Protection Regulations (《計算機軟件保護條例》) which was promulgated by the State Council on June 4, 1991 and effective on October 1, 1991 and lastly amended on January 30, 2013, the National Copyright Administration of China issued the Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which applies to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration of China shall be the competent authority for the nationwide administration of software copyright registration. And the Copyright Protection Center of China, or the CPCC is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conform to the provisions of both the Computer Software Copyright Registration Measures and the Computer Software Protection Regulations.

Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》), promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019 and effective on November 1, 2019, and the Regulation on Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》), promulgated by the State Council on August 3, 2002, last amended on April 29, 2014 and effective on May 1, 2014, any trademark which is registered with the approval of the Trademark Office is a registered trademark, including commodity trademark, service trademark, collective trademark, certification trademark, and the trademark registrant has the exclusive right to use a registered trademark and such right is protected by law. A registered trademark is valid for a period of ten years commencing from the date on which the registration is approved. Use of a trademark that is identical with or similar to a registered trademark, for the same kind of or similar commodities, without authorization of the trademark registrant, constitutes infringement of the exclusive right to use a registered trademark.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) which were promulgated by the MIIT on August 24, 2017 and effective on November 1, 2017 and the Implementing Rules on the Registration of National Top-level Domain Names (《國家頂級域名註冊實施細則》) which were promulgated by China Internet Network Information Center and effective on June 18, 2019. Domain name owners are required to register their domain names, and the MIIT is in charge of the administration of PRC internet domain names. The domain name services follow a "first come, first file" principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

Laws and Regulations on Information Security and Data Privacy

On May 28, 2020, the National People's Congress of the PRC approved the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which has come into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that need to obtain personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase, sell, provide or make public personal information of others.

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**"), which became effective on 1 June 2017. The Cyber Security Law requires network operators to perform certain functions related to cyber security protection and strengthen the network information management. For instance, under the Cyber Security Law, network operators of critical information infrastructure generally shall, during their operations in the PRC, store within the territory of the PRC the personal information and important data collected and produced within the territory of the PRC. When collecting and using personal information, in accordance with the Cyber Security Law, network operator shall abide by the "lawful, legitimate and necessary" principles. Network operator shall collect and use personal information by announcing rules for collection and use, expressly notify the purpose, methods and scope of such collection and use, and obtain the consent of the person whose personal information is to be collected. Network operators shall not disclose, tamper with or destroy personal information that it has collected, or disclose such information to others without prior consent of the person whose personal information has been collected, unless such information has been processed to prevent specific person from being identified and such information from being restored.

On December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**2022 Review Measures**"), which came into effect on February 15, 2022, and the Measures for Cybersecurity Review promulgated on April 13, 2020 was repealed simultaneously. The 2022 Review Measures provides that, among others, (i) critical information infrastructure operators (CII operators) purchasing network products and services, and network platform operators (the "**Network Platform Operators**") conducting data processing activities, which affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office (網絡安全審查辦公室), the department which is responsible for the implementation of cybersecurity review under the CAC; and (ii) the Network Platform Operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), which integrates the scattered rules with respect to personal information rights and privacy protection and became effective on November 1, 2021. The Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law and promoting the reasonable use of personal information. The Personal Information Protection Law applies to personal information processing activities within China, as well as certain personal information processing activities outside China, including those for provision of products and services to natural persons within China or for analyzing and assessing acts of natural persons within China.

On June 10, 2021, 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. It stipulates that each organization or individual collecting data shall adopt legal and proper methods, and shall not steal or obtain data by other illegal methods. Besides, it is necessary to establish and improve a whole-process data security management system in accordance with the provisions of laws and regulations, organize and carry out data security education and training, and adopt corresponding technical measures and other necessary measures to ensure data security.

The Administrative Provisions on the Security of Personal Information of Express Service Users (《寄遞服務用戶個人信息安全管理規定》), promulgated by the State Post Bureau on March 19, 2014 and amended on February 13, 2023, provides for the protection of the personal information of users of express or express delivery services, and the supervision on the express operations of postal enterprises and express delivery companies. In accordance with such Provisions, the State Post Bureau and its local counterparts are the supervising and administering authority responsible for the security of the personal information of users of express delivery services, and postal enterprises and express delivery companies must establish and refine systems and measures for the security of such information. Pursuant to the Courier Market Measures, enterprises providing express delivery services are required to limit access to users' personal information to the extent necessary for the performance of express delivery service contracts, and are prohibited from excessively collecting such information. Additionally, these enterprises shall establish management rules and operating procedures to ensure the security of users' personal information. According to the Measures for the Supervision and Administration of Postal Security in the Postal Industry, express delivery service companies shall fulfill security protection obligations in accordance with the requirements on the cybersecurity multi-level protection scheme, so as to ensure that the network is free from interference, damage or unauthorized access, and prevent network data from being divulged, stolen or falsified. Additionally, these enterprises shall establish a management system for shipping details forms and electronic data. They must periodically destroy processed shipping details forms, securely store electronic data such as user information, and implement effective measures to ensure the security of user information.

Furthermore, on July 7, 2022, the CAC promulgated the Measures for Data Cross-border Transfer Security Assessment (數據出境安全評估辦法), which became effective on September 1, 2022. Such data export measures require that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information abroad, including the following circumstances: (i) a data processor transfers important data abroad; (ii) a critical information infrastructure operator or a data processor processing the personal information of more than one million persons transfers personal information abroad; and (iii) a data processor, which has provided a total of 100,000 persons' personal information or 10,000 persons' sensitive personal information abroad since January 1 of the previous year, provides personal information abroad; or (iv) under other circumstances as stipulated by the CAC.

On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-border Data Flows (促進和規範數據跨境流動規定), which became effective the same day. The regulations provide several exemptions for enterprises from the need to conduct data outbound security assessments, obtain personal information protection certifications, or enter into standard contracts for the export of personal information. These exemptions include, but are not limited to, situations where data processors other than operators of critical information infrastructure have provided personal information (excluding sensitive personal information) to overseas recipients for less than 100,000 individuals since January 1 of the current year. Data processors other than operators of critical information infrastructure who have provided (a) personal information (excluding sensitive personal information) to overseas recipients for more than 100,000 but less than 1,000,000 individuals, or (b) sensitive personal information for less than 10,000 individuals since January 1 of the current year, shall enter into standard contracts for the export of personal information or obtain personal information protection certifications with the overseas recipients in accordance with the law. The regulations also explicitly stipulate that data processors are not required to declare a data export security assessment for data that has not been notified or publicly released as important data by relevant departments or regions.

On September 24, 2024, the State Council promulgated the Administrative Regulations on Network Data Security Management (《網絡數據安全管理條例》) (the "**Data Security Regulations**"), which became effective on 1 January 2025. The Data Security Regulations establish the basic framework for the purposes of regulating network data (including personal information) processing activities, ensuring the security of network data, promoting the reasonable and effective use of network data in accordance with the law, protecting the lawful rights and interests of individuals and organizations, and safeguarding national security and public interest.

Laws and Regulations on Environmental Protection

Environment Protection

On April 24, 2014, the SCNPC amended the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), effective on January 1, 2015, outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Environmental Protection is authorized to issue national standards for environmental quality and emissions, and to monitor the environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

On April 29, 2020, the SCNPC amended the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》). It requires that E-commerce, express delivery, food delivery, and other industries shall prioritize the adoption of reusable and easily recycled packaging, optimize the packaging of items, reduce the use of packaging, and actively recycle packaging. The commerce, post, and other appropriate departments of the local people's governments at or above the county level shall strengthen supervision and administration. It also requires that the owners of commodity retail sites, e-commerce platform enterprises, express delivery enterprises, and food delivery enterprises shall, in accordance with the relevant provisions issued by the state, report the use and recovery of plastic bags and other disposable plastic products to the commerce, post, and other appropriate departments.

Fire Prevention Design and Acceptance

On April 29, 2021, the SCNPC amended the Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "Fire Prevention Law"), for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. According to the Interim Regulations on Administration of Examination and Acceptance of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) amended by the Ministry of Housing and Urban-Rural Development of the PRC on August 21, 2023 and effective on October 30, 2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

Laws and Regulations on Overseas Listing

Securities Laws and Regulations

The Securities Law of the PRC (《中華人民共和國證券法》) (the "Securities Law"), promulgated by the SCNPC on December 29, 1998, latest amended on December 28, 2019 and came into effect on March 1, 2020, comprehensively regulating activities in the mainland China 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 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 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 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》) and five relevant guidelines promulgated by the CSRC on February 17, 2023 and effective on March 31, 2023 (the "Overseas Listing Trial Measures"), a domestic company that seeks to offer and list securities in overseas markets shall fulfill the filing procedure with the CSRC as per requirement of the Overseas Listing Trial Measures. Initial public offerings or listings in overseas markets shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas.

According to Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "Provisions on Strengthening Confidentiality and Archives Administration") jointly issued by the CSRC and other relevant departments on February 24, 2023 and effective 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 on Strengthening Confidentiality and Archives Administration, strengthen legal awareness of confidentiality of State secrets and archives administration, establish a sound system for confidentiality and archives work, adopt the requisite measures to perform the responsibilities of confidentiality and archives administration, and shall not divulge State secrets and work secrets of State agencies or harm State and public interests.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN THE U.S.

Foreign Investments

Foreign direct investment in the U.S. is generally allowed, but may be subject to regulatory reviews and restrictions depending on the industry and nature of the transaction.

Employment Laws

In the United States, many states follow the general rule of employment at will, including those where the U.S. entity may have employees. Under this doctrine, and absent a written employment contract to the contrary, an employee's employment and/or other terms and conditions of employment may be terminated or modified at any time, for any reason or no reason at all, provided that the reason is not unlawful — such as one involving discrimination, harassment, retaliation, or other prohibited grounds — and with or without advance notice. Similarly, unless otherwise provided in a written contract, severance pay is not required under applicable federal or state law.

In addition to the employment-at-will principle, a wide range of employment laws govern other aspects of the employer-employee relationship and workplace conduct in the United States. These laws exist at the federal, state, and local levels and often vary significantly. State and local regulations frequently impose more stringent or employee-favorable requirements than those under federal law.

Key areas regulated by employment laws include: hours of work, minimum wage, employee classification (e.g., exempt employees or non-exempt employees, employee vs. independent contractor), overtime pay for work exceeding a specified number of hours per week, immigration compliance, equal employment opportunity and fair employment practices, anti-discrimination, anti-harassment, anti-retaliation protections, equal pay, employee benefits, mass layoffs, leave entitlements, collective bargaining rights, workplace health and safety, workers' compensation, unemployment insurance, and affirmative action requirements.

The principal federal agencies responsible for enforcing these laws include the U.S. Department of Labor (DOL), the Equal Employment Opportunity Commission (EEOC), the National Labor Relations Board (NLRB), and U.S. Immigration and Customs Enforcement (ICE), a division of the Department of Homeland Security.

Among the major federal statutes governing employment matters are:

Wage and Hour Laws

The federal Fair Labor Standards Act of 1938 (FLSA) establishes nationwide standards for minimum wage, overtime pay, child labor, and employer recordkeeping. Under the FLSA, non-exempt employees must receive overtime pay at a rate of at least one and one-half times their regular rate of pay for all hours worked over 40 in a workweek. The FLSA does not limit the number of hours an employee may work in a week; however, it mandates overtime compensation for hours worked beyond the 40-hour threshold.

Certain employees are exempt from the FLSA's overtime provisions, including those in executive, administrative, professional, outside sales, and certain computer-related positions. To qualify for these exemptions, employees generally must meet specific criteria related to their job duties and be paid on a salary basis at not less than a specified minimum, usually double the minimum wage age in a specific city or county.

In addition to federal requirements, several states impose more stringent wage and hour laws. For example, California mandates higher minimum wages and has specific overtime rules, including daily overtime one and a half time for hours worked over eight in a day and double time for hours worked over 12 in a day. California also requires employers to provide non-exempt employees with unpaid meal breaks and paid rest breaks. Specifically, employees must receive a 30-minute unpaid meal break if they work more than five hours in a day, and a second 30-minute meal break if they work more than ten hours. Additionally, a paid 10-minute rest break is required for every four hours worked or major fraction thereof.

Discrimination, Harassment, Retaliation, and Related Laws

Federal laws, including Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act (ADA), the Age Discrimination in Employment Act (ADEA), and the Equal Pay Act of 1963 (EPA), prohibit discrimination, harassment, and retaliation by covered employers based on protected characteristics such as race, color, sex (including pregnancy), religion, national origin, age, disability, and genetic information. These laws also prohibit retaliation against individuals for opposing unlawful practices, filing complaints, or participating in investigations or proceedings related to workplace discrimination.

States may provide broader protections. For example, California law additionally prohibits discrimination based on sexual orientation, gender identity or expression, marital status, military and veteran status, and other characteristics, and imposes stricter standards than federal law in several areas, including harassment prevention training and equal pay.

Unpaid and Paid Leave

Under the federal Family and Medical Leave Act (FMLA), employers with 50 or more employees must provide eligible employees with up to 12 weeks of unpaid, job-protected leave within a 12-month period for qualifying reasons, such as the birth or adoption of a child, the employee's own serious health condition, or to care for a spouse, child, or parent with a serious health condition.

In California, the California Family Rights Act (CFRA) offers similar protections but applies to employers with five or more employees and expands the definition of family members to include domestic partners, grandparents, grandchildren, and siblings.

Additionally, California provides Paid Family Leave (PFL) benefits, offering up to eight weeks of partial wage replacement to employees who take time off to care for a seriously ill family member or to bond with a new child.

For pregnancy-related disabilities, California mandates that employers provide up to four months of job-protected leave under the Pregnancy Disability Leave (PDL) law.

Furthermore, as of January 1, 2024, California law requires employers to provide at least five days or 40 hours of paid sick leave annually to most employees, including full-time, part-time, and temporary workers.

Occupational Health and Safety

The federal Occupational Safety and Health Act (OSHA) requires employers to provide a workplace free from recognized hazards that may cause death or serious physical harm. States like California have established their own occupational safety and health programs, such as Cal/OSHA, which may implement standards that exceed federal requirements. Employers in California must comply with both federal and state occupational safety and health regulations. Employers are required to implement comprehensive Injury and Illness Prevention Programs (IIPP) that address hazards such as repetitive motion injuries, unsafe equipment operation, and fall risks. Cal/OSHA conducts inspections to ensure compliance with these standards.

Additionally, the Warehouse Quotas Law (AB 701), effective January 1, 2022, mandates that employers provide written descriptions of any work quotas to employees. The law prohibits quotas that interfere with legally mandated meal or rest periods, bathroom breaks, or occupational health and safety laws. Employers are also required to provide employees with information regarding their quota metrics upon request.

Collective Bargaining Laws

The federal National Labor Relations Act of 1935 (NLRA) guarantees employees the right to organize, join labor unions, and engage in collective bargaining through representatives of their own choosing. It also prohibits certain employer and union practices classified as unfair labor practices. The National Labor Relations Board (NLRB) administers and enforces these rights.

U.S. Employment Eligibility Verification Laws

The Immigration Reform and Control Act of 1986 (IRCA) prohibits employers from knowingly hiring or continuing to employ individuals who are not authorized to work in the United States. To comply, employers must complete Form I-9 for each new hire, verifying the employee's identity and employment authorization by examining acceptable documents. This verification process must be completed within three business days of the employee's start date. Employers are required to retain the completed Form I-9 for a specified period and present it upon request by authorized government officials.

Workers' Compensation for Job-Related Injuries

There is no federal law mandating private employers to provide compensation for job-related injuries or illnesses. Instead, each state has its own workers' compensation program that typically requires employers to offer benefits such as wage replacement, medical treatment, and other support for employees who suffer work-related injuries, illnesses, or death. California Labor Code Section 3700 mandates that every employer must carry workers' compensation insurance in they have at least one employee to cover work-related injuries or illness of the employees.

Benefit Plans

The federal Employee Retirement Income Security Act of 1974 (ERISA) governs employers who offer pension or welfare benefit plans to their employees. ERISA establishes standards for plan administration, fiduciary responsibilities, and participant rights, including requirements for plan documentation, disclosure, and reporting. Employers must ensure compliance with ERISA's provisions to protect employees' benefits and avoid potential penalties.

Commercial Vehicle Registration Requirements

Under U.S. federal law, companies operating commercial vehicles transporting passengers or hauling cargo in interstate commerce must register with the Federal Motor Carrier Safety Administration (FMCSA) and obtain a USDOT Number. Additionally, if they transport federally regulated commodities owned by others or arrange for their transport, they must obtain an Operating Authority (MC Number). Companies engaged in interstate commerce are also required to register under the Unified Carrier Registration (UCR) program.

In California, motor carriers operating commercial vehicles within the state, regardless of whether they engage in interstate or intrastate transportation, are required to obtain a USDOT Number, a Motor Carrier Permit (MCP), and a CA Number issued by the California Highway Patrol. Obtaining a USDOT Number is a prerequisite for MCP registration.

Import Compliance

Companies warehousing goods imported from China must comply with U.S. Customs and Border Protection (CBP) regulations, primarily governed by the Tariff Act of 1930 (19 U.S.C. § 1202 et seq.) and the Customs Modernization Act. Importers are required to exercise "reasonable care" in submitting accurate entry documents, including commercial invoices, packing lists, and shipping records. Goods must be properly classified under the Harmonized Tariff Schedule of the United States (HTSUS), valued in accordance with the Customs Valuation Agreement, and marked with their country of origin pursuant to 19 C.F.R. § 134.

Chinese-origin goods may be subject to additional duties under Section 301 of the Trade Act of 1974 (19 U.S.C. § 2411). Since early 2025, the U.S. government has issued multiple executive orders implementing additional tariffs on imports from various jurisdictions, including additional tariff amounting to an aggregate of 145% on imports from the PRC and Hong Kong SAR that took effect on April 10, 2025 (the "**Tariff Increases**"). Moreover, with respect to the duty exemption treatments under the U.S. Tariff Act of 1930 for imports from the PRC and Hong Kong SAR with an aggregate fair retail value of less than US$800 (per person, per day) (the "De Minimis Exemption"), the U.S. government also issued executive orders repealing the De Minimis Exemption with effect from May 2, 2025, and imported goods from the PRC and Hong Kong SAR that are sent through the international postal network valued at or under US$800 will be subject to a duty rate of either 30% of their value or US$25 per item (increasing to US$50 per item after June 1, 2025).

Tax

Income Taxes

U.S. corporations are subject to federal income tax on their worldwide income at a rate of 21%. They must file Form 1120 annually. State income tax obligations also apply in jurisdictions where the corporation operates, with rates varying by state. Taxes paid to state are generally deductible for federal income tax purposes.

In California, corporations are subject to a corporate income tax rate of 8.84%. Additionally, they must pay a minimum franchise tax of $800 annually, regardless of income or operational status. Corporations with 25% or more foreign ownership that engage in reportable transactions with related parties must file Form 5472 alongside Form 1120.

Additionally, corporations are responsible for withholding federal and state income taxes from employee wages and for paying employer portions of federal payroll taxes, including Social Security and Medicare.

Distributions to Foreign Shareholders

Under U.S. tax law, dividend payments from U.S. corporations to foreign shareholders are generally subject to a 30% withholding tax, unless a lower rate applies under an applicable tax treaty. The U.S. entity acts as the withholding agent and is responsible for withholding the appropriate tax, reporting the payment on Form 1042-S, and filing Form 1042 with the IRS.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN HONG KONG

Laws and Regulations on Business Registration

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

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

Laws and Regulations on Importation and Exportation of Goods

Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (the "Import and Export Ordinance")

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

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

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

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

Laws and Regulations on Employer/Employee Rights and Obligations

Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "Employment Ordinance")

The Employment Ordinance is the main piece of Hong Kong legislation governing conditions of employment in Hong Kong. It provides for the payment of wages, the restrictions on wages deductions, the granting of statutory holidays, and the termination of employment contract, among other things. In addition to these basic protections, employees who are employed under a continuous contract are further entitled to benefits such as rest days, paid annual leave, sickness allowance, severance and long service payment.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "Employees' Compensation Ordinance")

The Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the respective rights and obligations of employer and employee in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Hong Kong companies are required to maintain employees' compensation insurance in compliance with the Employees' Compensation Ordinance to cover compensation and costs liable for personal injuries of employees in Hong Kong in the course of employment with them.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("Mandatory Provident Fund Schemes Ordinance")

The Mandatory Provident Fund Schemes Ordinance provides for the establishment of non-governmental mandatory provident funds schemes (the "**MPF Schemes**") for members of the workforce for the purpose of accruing financial benefits on retirement, among other things.

Unless otherwise exempted, employers are required to enroll their employees who are at least 18 but under 65 years of age and employed for not less than 60 days in a MPF Scheme. Employers and employees are each required to make regular mandatory contributions of 5% of the employees' relevant income to the MPF Scheme, subject to the minimum and maximum relevant income levels, which are currently HK$7,100 per month and HK$30,000 per month respectively, provided, however, that employees with a monthly relevant income less than HK$7,100 are exempt and only the employers are required to make contributions to the MPF Scheme.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) ("Minimum Wage Ordinance")

The Minimum Wage Ordinance provides for a minimum wage at an hourly rate for certain employees. Currently, the statutory minimum hourly wage rate is HK$42.10. Any employment contract that purports to extinguish or reduce any right, benefit, or protection conferred on the employee by the Minimum Wage Ordinance is void. Failure to comply with the statutory minimum wage rate requirement constitutes an offence under the Employment Ordinance.

Laws and Regulations on Tax

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

Under the IRO, for a company carrying on a trade, profession or business in Hong Kong, its assessable profits arising in or derived from Hong Kong shall be chargeable to profits tax.

The IRO also provides for the obligation to do the followings:

(a) to keep sufficient records of the company's income and expenditure to enable the assessable profit to be readily ascertained for at least 7 years;

(b) to inform the Inland Revenue Department of its chargeability to tax;

(c) to submit tax return as required; and

(d) to inform the Inland Revenue Department of the commencement and cessation of employment of its employees.

Transfer Pricing

Section 20A of the IRO gives the Inland Revenue Department wide powers to collect tax due from non-residents. The Inland Revenue Department may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO, make additional assessments under section 60 of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO.

In December 2009, the Inland Revenue Department released Departmental Interpretation and Practice Notes No.46 ("**DIPN 46**"). DIPN 46 provides clarifications and guidance on the Inland Revenue Department's views on transfer pricing and how it intends to apply the existing provisions of the IRO to establish whether related parties are transacting at arm's length prices.

In general, the practices followed by the Inland Revenue Department are based on the transfer pricing methodologies recommended by the OECD Transfer Pricing Guidelines.

In April 2009, the Inland Revenue Department released Departmental Interpretation and Practice Notes No. 45 ("**DIPN 45**"). DIPN 45 provides that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the treaty between Hong Kong and that country (countries entered tax arrangements with Hong Kong includes Mainland China).

The Hong Kong Government has gazetted the Inland Revenue (Amendment) (No. 6) Ordinance 2018 ("**Amendment Ordinance No. 6**") on July 13, 2018. The Amendment Ordinance No. 6 introduces provisions for a statutory transfer pricing regime and for transfer pricing documentation in Hong Kong. The major issues covered under the Amendment Ordinance No. 6 are as follows:

(a) codify arm's length principle for related party transactions;

(b) introduce transfer pricing documentation in Hong Kong, which includes country-by-country report, master file and local file;

(c) codify Advance Pricing Arrangement ("**APA**") regime and extend application to unilateral APAs;

(d) introduce legal framework for mutual agreement procedures, which includes arbitration.

The major provisions under the Amendment Ordinance No. 6 start to apply for years of assessment commencing from April 1, 2018.

On July 19, 2019, the HKIRD issued Departmental Interpretation and Practice Notes No. 59 ("**DIPN 59**") — "Transfer Pricing between Associated Persons". DIPN 59 explains Rule 1 in Section 50AAF of the Amendment (No. 6) (i.e. arm's length principle for provision between associated persons) and its application; clarifies the criteria for exemption of domestic transactions available under Rule 1; provides guidance on grandfathered transactions (i.e. transactions before the commencement date of Amendment (No. 6); explains the key aspects of determining arm's length price including functional analysis, comparability analysis, functional characterizations, global price lists, business strategies, etc.; and provides guidance on penalties and additional taxes for non-compliance with Rule 1.