## PRC LAWS AND REGULATIONS

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

### Regulations on Company Establishment and Foreign Investment

Pursuant to the PRC Company Law promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on December 29, 1993, which was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018, and December 29, 2023 respectively and has come into force in July 1, 2024, the Company Law shall apply to all companies established in the PRC. The Company Law, which regulates the establishment, corporate structure and management of companies, also applies to foreign-invested companies. Where laws on foreign investment provide otherwise, such provisions shall prevail.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**"), which was promulgated by the National People's Congress (the "**NPC**") on March 15, 2019, and came into effect on January 1, 2020, provides that the "foreign investment" refers to the investment activities in China carried out directly or indirectly by foreign individuals, enterprises or other organizations (the "**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The FIL further adopts the management system of pre-establishment national treatment and negative list for foreign investment. The "pre-establishment national treatment" refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the "negative list" refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The FIL granted national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval of the State Council.

In December 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementation Rules**") which came into effect in January 2020. The Implementation Rules further clarified that the state shall encourage and promote foreign investment, protect the lawful rights and interests in foreign investments, regulate foreign investment administration, continue to optimize foreign investment environment, and advances a higher-level opening.

Investment activities in the PRC by foreign investors were principally governed by the Special Administrative Measures (Negative List) for Access of Foreign Investment (2024 version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "**Negative List**"), and the Catalogue of Industries for Encouraging Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Encouraging List**") promulgated by the MOFCOM and the NDRC in October 2022. The Negative List, which came into effect on November 1, 2024, sets out special administrative measures (restricted or prohibited) in respect of the access of foreign investments in a centralized manner, and the Encouraging List, which came into effect on January 1, 2023, sets out the encouraged industries for foreign investment. The Negative Lists cover 11 industries, and any field not falling in the Negative Lists shall be administered under the principle of equal treatment for domestic and foreign investment. Our business as currently conducted does not fall within the confines of the Negative Lists and is not subject to special administrative measures.

The Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) was released by the MOFCOM and the State Administration for Market Regulation (the "**SAMR**") on December 30, 2019, and became effective on January 1, 2020. Foreign investors directly or indirectly conducting investment activities within the territory of China shall submit the investment information through submission of initial reports, change reports, deregistration reports, annual

reports etc. to the competent commerce authorities in accordance with The Measures on Reporting of Foreign Investment Information. When submitting an annual report, a foreign-invested enterprise shall submit the basic information on the enterprise, the information on the investors and their actual controlling party, the enterprise's operation and asset and liabilities information etc, and where the foreign investment admission special administrative measures are involved, the foreign investment enterprise shall also submit the relevant industry licensing information.

**Regulations and Industry standards on Autonomous Driving and Intelligent Connected Vehicles Industry**

In 2006, in order to promote the rapid development of China's automotive product safety technology level, reduce the casualty rate in road traffic accidents, and achieve the goal of building a harmonious automotive society, China Automotive Technology Research Center officially established the C-NCAP (中國新車評價規程) after fully considering the actual situation of road traffic accidents in China, China's automotive standards, technology, and economic development level. With the smooth implementation of C-NCAP and the in-depth study of C-NCAP, China Automotive Technology Research Center has also improved and upgraded the C-NCAP Management Code many times, which has been amended in 2006, 2009, 2012, 2015, 2018, 2021 and 2024.

C-NCAP aims at establishing a high standard, fair and objective vehicle safety performance evaluation method to promote the development of vehicle safety technology and pursue higher safety concept. The significance of the project is to provide consumers with safety information of newly released vehicles, promote production enterprises to strengthen attention to safety standards, improve vehicles' safety performance and technology level, and enable vehicles' safety performance to be reflected in the evaluation. Moreover, C-NCAP will rate the pilot with stars based on the overall scoring rate of three aspects: passenger protection, vulnerable road user ("**VRU**") protection and active safety. The scoring rate for passenger protection, VRU protection and active safety shall be calculated according to the test item respectively, and the scoring rate shall be multiplied by the weight coefficients of the three parts and the final result shall be the comprehensive scoring rate. The standards for star-level rating of comprehensive scoring rate are: no less than 92% shall be rated as 5 + star, no less than 83% and no more than 92% shall be rated as 5 stars, no less than 74% and no more than 83% shall be rated as 4 stars, no less than 65% and no more than 74% shall be rated as 3 stars, no less than 45% and no more than 65% shall be rated as 2 stars and a rating of less than 45% is 1-star.

On April 29, 2021, the Ministry of Public Security promulgated the Road Traffic Safety Law (Revised Proposal Draft) (《道路交通安全法》（修訂建議稿）), which stipulates that vehicles with autonomous driving functions should pass road testing on closed roads and venues, obtain temporary driving license plates, and conduct road testing at designated times, areas, and routes according to regulations. Those who have passed the test and are allowed to be produced, imported, or sold in accordance with relevant laws and regulations, and those who need to pass on the road shall apply for a motor vehicle license plate. Moreover, vehicles with autonomous driving function and manual direct operation mode should record real-time driving data when conducting road tests or passing on the road; the driver should be in the driver's seat of the vehicle, monitor the operation status and surrounding environment of the vehicle, and be ready to take over the vehicle at any time. In case of road traffic safety violations or traffic accidents, the responsibility of the driver and the development unit of the autonomous driving system shall be determined according to law, and the liability for damages shall be determined in accordance with relevant laws and regulations. If a crime is constituted, criminal responsibility shall be pursued in accordance with the law. And vehicles with autonomous driving function but without manual direct operation mode shall be separately stipulated by relevant departments of the State Council for road traffic. Furthermore, the autonomous driving function should be tested and qualified by a third-party testing agency engaged in automotive related business with corresponding qualifications. As of the Latest Practicable Date, the aforementioned provisions of the Road Traffic Safety Law (Revised Proposal Draft) have not been formally adopted.

On November 21, 2023, the MOT issued the Guidelines for Transportation Safety Services of Autonomous Driving Cars (Trial) (《自動駕駛汽車運輸安全服務指南(試行)》) (the "**Service Guidelines**"). The Service Guidelines specifies the applicable scenarios of autonomous driving cars, i.e., the use of autonomous driving cars in urban roads, highways and other types of roads used for the passage of motor vehicles, to engage in passenger transport by bus and tram, passenger transport by taxi, road passenger transport operations, road cargo transportation business activities. It also clarifies that autonomous driving cars refer to conditional autonomous driving cars, highly autonomous driving cars and fully autonomous driving cars as specified in the national standard of Automotive Driving Automation Classification (《汽車駕駛自動化分級》), i.e., the widely known L3, L4 and L5 level autonomous driving cars.

In recent years, China has been actively formulating a series of policies and regulations at both the national and local levels to foster the growth of the driving assistance solutions industry. At the national level, the PRC government has introduced a series of policies to support pilot projects, improve the standardization system, and advance legal and regulatory frameworks. Locally, cities like Beijing, Wuhan, Shenzhen, and Guangzhou are actively introducing policies and regulations to facilitate the expansion of autonomous vehicle testing and promote commercialization process.

To foster consumer adoption and expand market penetration, the National Development and Reform Commission (NDRC), in collaboration with four other departments, has issued Measures to Create New Consumption Scenarios and Cultivate New Growth Points in Consumption (《關於打造消費新場景培育消費新增增長點的措施》). This includes the expansion of the pilot scope for the comprehensive electrification of public sector vehicles and the steady promotion of the commercialization of autonomous driving, thereby creating new high-level driving assistance scenarios and conducting pilot projects for "vehicle-road-cloud integration (車路雲一體化)" for intelligent vehicles. In terms of autonomous driving access and pilot projects, according to the Notice on Carrying Out Pilot Work on Access and Road Traffic for Intelligent Connected Vehicles (《關於開展智能網聯汽車准入和上路通行試點工作的通知》), MIIT and three other departments have confirmed the first batch of nine companies for pilot projects with respect to access and road traffic trials for intelligent connected vehicles. These pilots aim to boost innovation and development in intelligent connected vehicles, establishing a solid legal and testing framework for their broad application. In terms of the autonomous driving standards, the Ministry of Industry and Information Technology (MIIT) has issued the 2024 Key Points of Automotive Standardization Work (《2024年汽車標準化工作要點》), emphasizing the development of standards for intelligent connected vehicles. This includes promoting mandatory national standards for vehicle information security, software updates, and data recording for autonomous driving, along with recommending standards for general technical requirements, road test methods, operational design conditions, data requirements, and LTE-V2X technology. Furthermore, the standardization technical organization of the MIIT has completed the formulation of five national automotive industry standards, including the General Technical Requirements for Autonomous Driving Systems of Intelligent Connected Vehicles (《智能網聯汽車自動駕駛系統通用技術要求》), which sets the stage for a standardized approach to the development and deployment of these cutting-edge technologies. In addition, the MIIT and the SAMR released the Notice on Further Strengthening the Access, Recall, and Over-The-Air Update Management of Intelligent Connected Vehicles (Draft for Comments) (《關於進一步加強智能網聯汽車准入、召回及軟件在線升級管理的通知(徵求意見稿)》), with the aim of enhancing the management of access, recall, and over-the-air update processes for intelligent connected vehicles.

The Shenzhen Municipal Bureau of Industry and Information Technology (深圳市工業和信息化局) has introduced the Operational Procedures for the Special Support Plan for High-Quality Development of the New Energy Vehicle and Intelligent Connected Vehicle Industry (《新能源汽車和智能網聯汽車產業高質量發展專項扶持計劃操作規程》) to support key industry projects, enhance fund efficiency, and foster the development of Shenzhen's NEV and intelligent connected vehicle sectors, aiming to build a world-class automotive hub. The Regulation on Promoting the Development of Intelligent Connected Vehicles in Wuhan (《武漢市智能網聯汽車發展促進條例(草案)》) has been approved, aiming to promote new technologies, support road testing and

commercialization of autonomous vehicles, and accelerate the process of achieving fully autonomous driving. It also encourages breakthroughs in core technologies like automotive chips, software, and vehicle networking. The Beijing Municipal Bureau of Economy and Informatization (北京市經濟和信息化局) has issued the Regulations on Autonomous Driving Vehicles in Beijing (Draft for Comments) (《北京市自動駕駛汽車條例(徵求意見稿)》), offering a relatively comprehensive and integrated framework to regulate autonomous driving innovation. The Standing Committee of the Guangzhou Municipal People's Congress (廣州市人大常委會) has released the Regulations on Intelligent Connected Vehicle Innovation and Development in Guangzhou (Draft Amendment • Draft for Comments) (《廣州市智能網聯汽車創新發展條例 (草案修改稿 • 徵求意見稿)》), aiming to standardize and promote the development of the intelligent connected vehicle industry across five key areas, including industry development, integrated vehicle-road-cloud infrastructure, innovative applications, safety assurance, and legal liabilities.

On November 17, 2023, the MIIT, the Ministry of Public Security (the "**MPS**"), the Ministry of Housing and Urban-Rural Development (the "**MOHURD**"), and the MOT jointly issued the Notice on the Pilot Work on the Admission and Road Access of Intelligent Connected Vehicles (《關於開展智能網聯汽車准入和上路通行試點工作的通知》) (the "**Notice of Pilot Work**"). The Notice of Pilot Work requires the automobile manufacturers and the users to form a consortium for declaration, which shall be approved by the people's government of the city of operation, reviewed by the competent provincial department of industry and information technology in conjunction with other relevant authorities and reported to the MIIT. Ultimately, the MIIT, the MPS, the MOHURD and the MOT will organize experts to conduct a preliminary review of the declared proposals and decide on the consortiums that will participate in the pilot operation.

The Taxonomy of Driving Automation for Vehicles (《汽車駕駛自動化分級》) was promulgated by the SAMR and Standardization Administration on August 20, 2021 and became effective on March 1, 2022, which refers to the corresponding standard of Society of Automotive Engineers, and stipulates that the standards for autonomous driving can be divided into: Level 0 (emergency assistance), Level 1 (partial driver assistance), Level 2 (combined driver assistance), Level 3 (conditionally automated driving), Level 4 (highly automated driving) and Level 5 (fully automated driving).

Moreover, Level 0 requires the driving automation system to have the capability to continuously perform detection and response of a part of the object and event, and when the driver requests the exit of the driving automation system, the control right of the system should be immediately released. Level 1 requires the driving automation system to continuously perform vehicle lateral or longitudinal motion control in a dynamic driving task on the basis of Level 0, and requires the driving automation system to have a partial capability of object and event detection and response in accordance with the vehicle lateral or longitudinal motion control. Level 2 further requires the driving automation system to satisfy the corresponding capabilities of both lateral and longitudinal motion control of vehicles. Level 3 mainly requires that the driving automation system be able to perform the full range of dynamic driving tasks under its designed operating conditions after activation. Level 4 mainly requires that the driving automation system should be able to automatically implement the minimum risk strategy when the relevant event happens and the user does not respond to the intervention request. Furthermore, Level 5 requires that the driving automation system has no limitation on the designed operating range and is able to achieve fully automated driving.

The MIIT, the MPS and the MOT jointly issued and implemented the Rules for the Administration of the Road Testing and Demonstrative Application of Intelligent Connected Vehicles (for Trial Implementation) (《智能網聯汽車道路測試與示範應用管理規範(試行)》) on July 27, 2021, which was implemented from September 1, 2021, any entity intending to conduct a road testing of autonomous driving vehicles must obtain a road-testing certificate and a temporary license plate for each tested vehicle. To qualify for above testing certificate and temporary license plate, an applicant entity must satisfy, among others, the following requirements: (1) it must be an independent legal person registered in PRC with the capacity to conduct intelligent connected vehicles-related businesses such as manufacturing, technological research and testing of vehicles

and vehicle parts, which has established protocol to test and assess the performance of autonomous driving system and is capable of conducting real-time remote monitor of the road tested vehicles, and with the ability of event recording, analysis and reproduction of the vehicles under road testing and ensuring the network security of the vehicles under road testing and the remote monitor platforms; (2) the vehicle under road testing must be equipped with a driving system that can switch between autonomous pilot mode and human operating mode in a safe, quick and simple manner and allows human driver to take control of the vehicle any time immediately when necessary; (3) the tested vehicle must be equipped with the functions of recording, storing and real-time monitoring the condition of the vehicle and is able to transmit real-time data of the vehicle, such as the driving mode, location and speed; (4) the applicant entity must sign an employment contract or a labor service contract with the driver of the tested vehicle, who must be a licensed driver with more than three years' driving experience and a track record of safe driving and is familiar with the testing protocol for autonomous driving system and proficient in operating the system; (5) the applicant entity must insure each tested vehicle for at least RMB5 million against car accidents or provide a letter of guarantee covering the same. In addition, during testing, the testing entity should post a noticeable identification logo for autonomous driving test on each tested car and should not use autonomous driving mode unless in the permitted testing areas specified in the road-testing certificate. If the testing entity intends to conduct road testing in the region beyond the administrative territory of the certificate issuing authority, it must apply for a separate road-testing certificate and a separate temporary license plate from the relevant authority supervising the road-testing of autonomous cars in that region.

On July 30, 2021, the MIIT promulgated the Opinions on Strengthening the Administration of the Access of Intelligent Connected Vehicle Manufacturers and Products (《工業和信息化部關於加強智能網聯汽車生產企業及產品准入管理的意見》), which provides that enterprises should strengthen data security management ability and network security guarantee ability, as well as strengthen enterprise management ability and ensure product production consistency. Moreover, enterprises should strengthen product management: (a) Enterprises should strictly perform the obligation of informing. If the enterprise produces automobile products with driving assistance and autonomous driving functions, it shall clearly inform the vehicle functions and performance limits, driver responsibilities, human-computer interaction equipment indication information, function activation and exit methods and conditions, etc; (b) Enterprises should strengthen the safety management of combined driving assistance products; (c) Enterprises should strengthen the safety management of autonomous driving function products; (d) Enterprises ensure reliable space-time information services.

In 2017, the MIIT and the National Standardization Administration jointly released the world's first intelligent connected vehicle standard system — the Guidelines for the Construction of the National Connected Vehicle Industry Standard System (Intelligent Connected Vehicles) (《國家車聯網產業標準體系建設指南(智能網聯汽車)》), which made a systematic plan and deployment for China's intelligent connected vehicle standard system and established the Intelligent Connected Vehicles Sub technical Committee of the National Automotive Standardization Technical Committee, Coordinate the construction of the standard system for intelligent connected vehicles. As of now, the first phase of the construction of the intelligent connected vehicle standard system has been successfully completed. Moreover, according to the construction method of the technical logical structure and product physical structure of intelligent connected vehicles, taking into account different functional requirements, product and technology types, and information flow between various subsystems, the government defines the standard system framework of intelligent connected vehicles as four parts: "Foundation", "General Specifications", "Product and Technology Applications", and "Relevant Standards". Foundation mainly includes three types of basic standards, such as terminologies and definitions, classification and coding, identifications and symbols of intelligent connected vehicles. General Specifications put forward the overall requirements and specifications from the vehicle level, mainly including function evaluation, human-machine interface, function safety and information safety, etc. Product and Technology Applications mainly cover the functions, performance requirements, and testing methods of core technologies and applications of intelligent connected vehicles, such as information perception,

decision warning, auxiliary control, automatic control, and information interaction. Relevant Standards mainly include communication protocols, the foundation of vehicle information communication, which mainly cover protocol specifications on medium, short- range communication, wide area communication and other aspects of the realization of intelligent information interaction among vehicles (individual passengers, vehicles, roads, clouds, etc.), and they also include standard specifications for software and hardware interface between various physical layers and different application layers.

In order to implement the National Standardization Development Outline (《國家標準化發展綱要》), promote the high-quality development of the intelligent connected vehicle industry, and accelerate the construction of an automobile power, MIIT and the National Standardization Administration have jointly revised and improved the Guidelines for the Construction of the National Connected Vehicle Industry Standard System (Intelligent Connected Vehicles) based on the development of the intelligent connected vehicle technology industry, further formed the Guidelines for the Construction of the National Internet of Vehicles Industry Standard System (Intelligent Connected Vehicles) (2023 Edition) (《國家車聯網產業標準體系建設指南(智能網聯汽車)(2023年版)》), which provided that the government will establish a standard system for intelligent connected vehicles that adapts to China's national conditions and is in line with international standards in stages based on the current status of intelligent connected vehicle technology, industry needs, and future development trends. Moreover, regarding the stage 1 to 2025, the government will systematically form the system of standards for intelligent connected vehicles that can support the combined driving assistance and general functions of self-driving and formulate and revise over 100 relevant standards for intelligent connected vehicles to satisfy the demand for standardization of intelligent connected automobile technology, industry development and government administration. Regarding the stage 2 to 2030, a standard system for intelligent connected vehicles that can support the coordinated development of bicycle intelligence and connected vehicle empowerment will be fully formed, and the government will formulate and revise more than 140 standards related to intelligent connected vehicles, and establish an implementation effect evaluation and dynamic improvement mechanism to satisfy the demand for full-scene application of combined driving assistance, automatic driving and networked functions. Furthermore, the government will establish and improve a safety guarantee system, as well as a support system for software, hardware, and data resources. The coordination of international standards and regulations in key areas such as autonomous driving will reach an advanced level.

**Regulations On Internet Information Security, Privacy Protection and Automotive Date Security**

***Internet Information Security***

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》, the "**Cybersecurity Law**"), effective as of June 1, 2017, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. The Cybersecurity Law defines "network" as a system comprising computers or other information terminals and relevant facilities used for the purpose of collecting, storing, transmitting, exchanging and processing information in accordance with specific rules and procedures. "Network operators", who are broadly defined as owners and administrators of networks and network service providers, are subject to various security protection-related obligations, including but not limited: (i) complying with security protection obligations under graded system for cybersecurity protection requirements; (ii) formulating a emergency plan and promptly responding and handling security risks, initiating the emergency plans, taking appropriate remedial measures and reporting to regulatory authorities in the event comprising cybersecurity threats; and (iii) following the principles of legality, legitimacy and necessity, disclosing the rules of collection and use, making clear the purpose, mean and scope of collection and use of information, and obtaining the consent of the person whose information is collected.

The Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021, provides that entities and individuals carrying out data activities shall establish a data classification and grading protection system and important data catalogs to enhance the protection of important data. Processors of important data shall specify the person responsible for data security and management agencies to implement data security protection responsibilities. Relevant authorities will establish the measures for the cross-border transfer of important data. If any company violates the Data Security Law of the PRC to provide important data outside China, such company may be punished by administration sanctions, including penalties, fines, and/or suspension of relevant business or revocation of the business license. In addition, the Data Security Law of the PRC provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information.

On 28 December 2021, the Cyberspace Administration of China (the "**CAC**") promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**"), which came into effect on 15 February 2022. According to the Cybersecurity Review Measures, there are two mechanisms to trigger cybersecurity review: (a) review of voluntary declaration by enterprises: applicable to (i) critical information infrastructure operators that intend to purchase network products and services; (ii) a network platform operator that processes the personal information of more than one million people intends to be listed overseas; and (b) initiation of review by regulatory authorities: for any member of the cybersecurity review working mechanism believes that any network product or service or data processing activity affects or is likely to affect national security. In this case, the Office of Cybersecurity Review shall report this circumstance to the Central Cyberspace Affairs Commission for approval, and conduct a review after approval.

On September 24, 2024, the State Council promulgated the Regulation on the Administration of Cyber Data Security (《網絡數據安全管理條例》) (the "**Cyber Data Security Regulation**"), which proposes to provide more detailed guidelines on the current rules on various aspects of data processing, including the processors' announcement of data processing rules, obtaining consents and separate consents, security of important data and cross-border transfer of data, and further obligations of platform operators. The Cyber Data Security Regulation will come into effect on January 1, 2025.

Furthermore, on July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) which became effective on September 1, 2022. Such data export measures requires 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) important data will be provided overseas by any data processor; (ii) personal information will be provided overseas by any operator of critical information infrastructure or any data processor who processes the personal information of more than 1,000,000 individuals; (iii) personal information will be provided overseas by any data processor who has provided the personal information of more than 100,000 individuals in aggregate or has provided the sensitive personal information of more than 10,000 individuals in aggregate since January 1 of last year; and (iv) other circumstances where the security assessment is required as prescribed by the CAC. The security assessment requirement also applies to any transfer of important data outside of China.

The Regulations on Network Data Security Management (the "Network Data Regulations") were promulgated by the State Council on September 24, 2024, and became effective on January 1, 2025. The Network Data Regulations restate and further specify the legal requirements for personal information processing, important data processing, cross-border data transfer, and provision of network platform services. Among others, the Network Data Regulations require network data processors processing personal information of over 10 million individuals to fulfil certain requirements for processing important data and network data processing activities that have or may have impacts on national security shall be subject to national security review in accordance with relevant laws and regulations. Furthermore, the Network Data Regulations also establish certain obligations of online platform service providers, including offering users an option to turn off personalized recommendations.

***Privacy Protection***

Pursuant to the PRC Civil Code (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020 and effective from January 1, 2021, the personal information of a natural person shall be protected by the law. An information processor shall not disclose or tamper with any personal information collected or stored thereby; and without the consent of the natural person, no personal information shall be illegally provided to any other person.

Pursuant to the Circular of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on the Punishment of Criminal Activities Infringing on Citizens' Personal Information in accordance with the Law (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》) promulgated on April 23, 2013, and the Interpretation by the Supreme People's Court and the Supreme People's Procuratorate of Several Issues Concerning the Application of Laws to the Handling of Criminal Cases of Infringing on Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) promulgated on May 8, 2017 and effective on June 1, 2017, the following activities may constitute crimes of infringement of citizens' personal information: (i) providing citizens' personal information to specific persons or publishing citizens' personal information on the Internet, etc., in violation of the relevant regulations; (ii) providing others with lawfully collected information about citizens without their consent (unless the information has been processed in such a way as to make it impossible to identify a specific individual and cannot be recovered); (iii) collecting citizens' personal information in violation of relevant regulations or provisions in the performance of duties or the provision of services; or (iv) collecting citizens' personal information in violation of relevant regulations through purchasing, receiving, or exchanging.

The Law of the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), which was promulgated by the SCNPC on August 20, 2021 and became effective on November 1, 2021, consolidates separate provisions on personal information rights and privacy protection. The Personal Information Protection Law aims to protect the personal information rights and interests, regulate the handling of personal information, safeguard the free flow of personal information in an orderly manner in accordance with the law, and promote the rational use of personal information. Personal information, as defined in the Personal Information Protection Law, refers to all kinds of information related to an identified or identifiable natural person recorded electronically or by other means, excluding the information that has been anonymized. The Personal Information Protection Law stipulates the circumstances in which a processor of personal information may process personal information, including, but not limited to, when the consent of the individual concerned has been obtained and when it is necessary for the conclusion or performance of a contract to which the individual is a party. It has also set out a number of specific rules on the obligations of processors of personal information, such as informing individuals of the purpose and method of processing, and the obligations of third parties who obtain personal information through co-processing or entrustment.

***Automotive Data Security***

On August 16, 2021, the CAC, the NDRC, the MPS, the MIIT and the MOT jointly promulgated the Certain Provisions on the Management of Automotive Data Security (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》) (the "**Automotive Data Security Provisions**"), which came into effect on October 1, 2021, and is intended to regulate the collection, storage, use, processing, transmission, provision, and disclosure of personal information and critical data generated by automobile designers, manufacturers, and service providers throughout the automobile life cycle. The relevant automotive data processors, including automobile manufacturers, parts and software providers, dealers, repair suppliers and travel service companies, are required to process personal information and critical data in accordance with the applicable laws during the design, manufacture, sale, operation, maintenance and management of automobiles. Processing of personal information by automobile data processors shall be conducted with the

consent of the individual or in accordance with other circumstances stipulated by laws and regulations. The State encourages the reasonable and effective utilization of automotive data in accordance with the law, and advocates that automotive data processors adhere to: (i) the principle of in-vehicle processing, and avoid providing automotive data outside the vehicle unless necessary; (ii) the principle of non-collection by default, and set the state of non-collection by default each time unless otherwise set by the driver on his/her own initiative; (iii) the principle of applying the range of accuracy, and determine the coverage and resolution of cameras, radar, etc., based on the requirements of the provided functional service for data accuracy; (iv) the principle of desensitized processing, and anonymize and de-identify the information whenever possible. According to the Automotive Data Security Provisions, personal information and key data involving automobiles are in principle stored within the country, and if they need to be made available outside the country, the competent national Internet information department will conduct a cross-border data security assessment in conjunction with the relevant departments of the State Council. When processing critical data, automotive data processors shall conduct risk assessments in accordance with the regulations and submit risk assessment reports to the relevant provincial authorities.

The MIIT issued the Notice of the Ministry of Industry and Information Technology on Strengthening Network Security and Data Security of Telematics (《工業和信息化部關於加強車聯網網絡安全和數據安全工作的通知》) on September 15, 2021. Accordingly, all manufacturers of intelligent connected vehicles and operators of Telematics service platforms shall establish a network security and data security management system, strengthen security protection, monitor and prevent network security risks and threats, strengthen the security protection capability of Telematics network facilities and network systems, safeguard Telematics communication security, carry out Telematics security monitoring and early warning, enhance the Telematics security emergency response, and promote the Telematics network security protection grading and filing work. The MIIT promulgated the Guidelines for the Construction of Network Security and Data Security Standard System for Telematics (《車聯網網絡安全和數據安全標準體系建設指南》) on February 25, 2022, which clearly defines the security standards and requirements covering the terminal and facility network security, network communication security, data security, application service security, and security guarantee and support.

**Regulations on Product Liability**

According to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and most recently amended on December 29, 2018, it is prohibited to manufacture or sell products that do not comply with the standards and requirements for safeguarding human health and the safety of persons and property. The products must not present any unreasonable risk of endangering the safety of persons and property. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller. Any producer or seller who produces or sells substandard products shall be ordered to stop production or sale, the products illegally produced or sold shall be confiscated, and a fine shall be imposed; If there are any illegal gains, the illegal gains shall be confiscated concurrently; If the circumstances are serious, the business license shall be revoked.

According to the Civil Code of the PRC, if a defect of a product causes damage to another person, the infringed person may claim compensation against the manufacturer or the seller of the product. If the infringer knows that the product is defective and still produces or sells it, or fails to take effective remedial measures in accordance with the provisions of the Civil Code of the People's Republic of China, resulting in the death of another person or serious damage to the health of another person, the infringed person shall be entitled to claim corresponding punitive damages. If a product is defective due to the fault of a third party, such as a transporter or warehouseman, and causes damage to another person, the producer or seller of the product shall have the right to recover compensation from the third party after making compensation to the infringed person.

**Regulations on Import and Export of Goods**

In accordance with the Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 and amended and effective on April 6, 2004, November 7, 2016 and December 30, 2022 respectively, and the Notice on Matters Relating to the Filing of Consignees and Consignors of Imported and Exported Goods (《海關總署企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知》) issued by the General Administration of Customs of the People's Republic of China on January 3, 2023 and effective on the same date, the consignee or consignor of imported or exported goods applying for filing should obtain the qualification of the market entity, but no filing for foreign trade operators is required.

According to the Customs Law of the People's Republic of China (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987, and amended on July 8, 2000, June 29, 2013, December 28, 2013, November 7, 2016, November 4, 2017, and April 29, 2021, respectively, the consignee of imported goods, the consignor of exported goods, and the owner of inbound and outbound goods are the taxpayers of customs duties. For the imported and exported goods, unless otherwise provided for, customs declaration and tax payment procedures may be completed by the consignee or consignor of the imported and exported goods, or the consignee or consignor of import and export goods may entrust a customs declaration enterprise to complete the customs declaration and tax payment procedures. The consignees and consignors for imported or exported goods and the customs brokers engaged in customs declaration shall be filed with the customs in accordance with the law. Customs declaration units refer to the consignee or consignor of the imported and exported goods and the customs declaration enterprises filed with the customs in accordance with the Regulations of the People's Republic of China on the Administration of the Record of Customs Declaration Units (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the People's Republic of China on November 19, 2021 and becoming effective as of January 1, 2022. Where the consignee or consignor of imported or exported goods or a customs declaration enterprise applies for filing, it shall obtain the qualification of market entities.

Pursuant to the Regulations of the People's Republic of China on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) ("**Regulations on the Administration of Import and Export of Goods**") promulgated by the State Council on December 10, 2001 and last amended on March 10, 2024, which came into effect on May 1, 2024, enterprises engaged in the trade activities of importing goods into the territory of the People's Republic of China or exporting goods outside of China must comply with the Regulations on the Administration of Import and Export of Goods. Goods whose import or export is prohibited shall not be imported or exported; goods whose import or export is restricted shall be subject to a licensing or quota system; and goods whose import or export is free shall not be subject to restriction. The consignee of imported goods or the consignor of exported goods shall submit an automatic import and export license, an import and export license or a quota certificate to the customs for customs clearance.

The Export Control Law of the People's Republic of China (《中華人民共和國出口管制法》) (the "**Export Control Law**") came into force on December 1, 2020. The Export Control Law is China's first comprehensive and integrated export control law, which sets out provisions for the export control of dual-use goods, military supplies, nuclear energy products, goods related to the protection of national security and interests and other commodities, science and technology, services and goods, as well as fulfilling the responsibilities related to the international prohibition of nuclear proliferation.

## Regulations on Intellectual Property Rights

### *Patents*

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, and most recently amended on October 17, 2020, the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001, and revised on December 28, 2002, January 9, 2010 and December 11, 2023, respectively, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within the respective administrative areas. The Patent Law and Implementation Rules of the Patent Law provide three types of patents, namely "inventions," "utility models" and "designs". Invention patents are valid for twenty years, utility model patents are valid for ten years, and since June 1, 2021, the validation period for design patents whose application date is after June 1, 2021 has been extended to fifteen years in each case from the date of application. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, utility model or design, a patent will be granted to the person who files the application first. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third Parties must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the unauthorized use constitutes an infringement on the patent rights.

### *Trademarks*

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and last amended on April 23, 2019 and came into effect on November 1, 2019, the Implementation Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) which were issued on August 3, 2002 and last amended on April 29, 2014, the Trademark Office under the China National Intellectual Property Administration of the PRC, (the "Trademark Office"), shall handle trademark registrations and grant a term of ten years to registered trademarks, which may be renewed for an additional ten year period upon request from the trademark owner. The Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Where an application for trademark for which application for registration has been made is identical or similar to another trademark which has already been registered or is under preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right of others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party' s use. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party is licensed to use a registered trademark, the licenser shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it. An unrecorded license may not be used as a defense against a third party in good faith.

### *Domain Names*

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and became effective in November 1, 2017. The MIIT is the major regulatory authority of domain names. The registration of domain names in China is on a "first-apply-first-registration" basis. A domain name applicant will become the domain name holder upon completion of the application procedure.

***Copyright and Software Registration***

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) which was promulgated by the SCNPC on September 7, 1990 and implemented on June 1, 1991, and finally revised on November 11, 2020 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 on August 2, 2002 and implemented on September 15, 2002, and finally revised on January 30, 2013. Copyright holders enjoy a variety of personal and property rights, including the right of publication, the right of authorship, the right of reproduction, and the right of communication of information on networks.

Pursuant to the Regulation on Computer Software Protection (《計算機軟件保護條例》) promulgated on June 4, 1991 by the State Council and last amended on January 30, 2013 and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated on April 6, 1992 and last amended by the National Copyright Administration on February 20, 2002, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

***Trade Secrets***

According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), promulgated by the SCNPC in September 1993, as amended on November 4, 2017 and April 23, 2019 respectively, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others' trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item above; (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence; or (4) instigate, induce or assist others to violate confidentiality obligation or to violate a rights holder's requirements on keeping confidentiality of commercial secrets, so as to disclose, use or allow others to use the commercial secrets of the rights holder. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

**Regulations on Environmental Protection and Fire Prevention**

***Environment Impact Assessment***

Pursuant to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989 and amended on April 24, 2014, the Administrative Regulations on the Environmental Protection of Construction Project (《建設項目環境保護管理條例》) (the "**Construction Environmental Protection Rules**"), promulgated by the State Council on November 29, 1998 and amended on July 16, 2017, and other relevant environmental laws and regulations, enterprises which plan to construct projects shall submit or fill in assessment report, assessment form, or registration form on the environmental impact of such projects to relevant environmental protection administrative authority for approval or recording. Construction entities may entrust a technical institution to conduct an environmental

impact assessment of its construction projects and prepare the assessment reports and assessment forms on the environmental impact of construction projects. If the construction entities have the technical capability of environmental impact assessment, it may carry out the above activities by itself.

Pursuant to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 and December 29, 2018 respectively, for any construction projects have an impact on the environment, the construction entity is required to produce either a report, or a form, or a registration form on such environmental impact depending on the seriousness of the impact that may be exerted on the environment.

The Construction Environmental Protection Rule also requires that upon completion of construction for which an environmental impact report or environmental impact statement is formulated, the constructor shall conduct an acceptance inspection of the environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, formulate the acceptance inspection report, and announce the acceptance inspection report pursuant to the law except for circumstances where there is a need to keep confidentiality pursuant to the provisions of the State. Where the environmental protection facilities have not undergone acceptance inspection or do not pass acceptance inspection, the construction project shall not be put into production or use.

***Completion and Acceptance***

The Interim Measures for Acceptance of Environmental Protection upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) was promulgated and implemented by the former Ministry of Environmental Protection (now the Ministry of Ecology and Environment) on November 20, 2017. The Measures regulates the procedures and standards for environmental protection independent acceptance by construction units upon the completion of construction projects.

***Pollutant Discharge***

According to the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources (2019 Version)《(固定污染源排污許可分類管理名錄(2019年版)》) issued by the Ministry of Ecology and Environment on December 20, 2019, key management, simplified management and registration management of pollutant discharge permits are implemented according to factors such as the amount of pollutants generated, the amount of emissions, the degree of impact on the environment, etc., and only pollutant discharge entities that implement registration management do not need to apply for a pollutant discharge permit.

***Fire Protection Design Approval and Filing***

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "**Fire Prevention Law**") was adopted on April 29, 1998 and latest amended on April 29, 2021. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Emergency Management Authority of the State Council and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The Fire and Rescue Department of the People's Government are responsible for implementation. The Fire Prevention Law provides that the fire protection design or construction of construction projects shall comply with the national technical standards for fire protection. Pursuant to the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) issued by the MOHURD on April 1, 2020 and amended on August 21, 2023, special construction projects as defined under such Interim Provisions shall be subject to fire protection design review and fire protection final inspection, construction projects other than such special construction projects shall be submitted to the competent authorities for record-filing of project fire protection design and acceptance.

**Regulation on Production Safety**

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) which was promulgated on June 29, 2002 and amended on August 27, 2009, August 31, 2014 and June 10, 2021, a business entity shall establish, improve and implement a production safety responsibility system and production safety rules and systems for all employees, increase efforts to guarantee the input of funds, materials, technology, and personnel in production safety, and improve production safety conditions. Business entities shall provide their employees with production safety education and training to ensure that their employees have necessary production safety knowledge, are familiar with the relevant production safety policies and rules and safe operating procedures, possess the safe operating skills for their respective posts, know the emergency response measures for accidents, and are informed of their rights and obligations in production safety. Employees failing the production safety education and training shall not take their posts.

**Regulations on Real Estates**

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986, latest amended on August 26, 2019 and became effective on January 1, 2020, the PRC applies a system of control over the purposes of use of land, including land for agriculture, land for construction and unused land. All units and individuals shall use land in strict compliance with the purposes of use defined in the overall plans for land utilization. Registration of the ownership and the right to the use of land shall be governed by the laws and administrative regulations relating to real estate registration and the legally registered ownership and right to the use of land shall be protected by law and may not be infringed upon by any entities or individuals.

Pursuant to the Interim Regulations Concerning the Assignment and Transfer of the Right to the Use of the State-owned Land in the Urban Areas (2020 Revision) (《城鎮國有土地使用權出讓和轉讓暫行條例(2020修訂)》) promulgated by the State Council on November 29, 2020, a system of assignment and transfer of the right to use state-owned land was adopted. A land user shall pay land premiums to the state as consideration for the assignment of the right to use a land site within a certain term, and the land user who obtained the right to use the land may transfer, lease out, mortgage, or otherwise commercially exploit the land within the term of use. Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-Owned Urban Land, the local land administration authority may enter into an assignment contract with the land user for the assignment of land use rights. The land user is required to pay the land premium as provided in the assignment contracts. After paying the total amount of the assignment fee, the land user shall go through the registration thereof, obtain the certificate for land use to evidence the acquisition of the land use right.

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), promulgated by the State Council on November 24, 2014, became effective on March 1, 2015 and amended on March 24, 2019 and March 10, 2024, and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated by the Ministry of Land and Resources on January 1, 2016 and amended on July 24, 2019 and May 21, 2024, provide that, among other things, the State implements a uniform real estate registration system and the registration of real estate shall follow the principles of strict administration, stability, continuity, and convenience for the masses.

According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) which was promulgated by the MOHURD on December 1, 2010 and came into effect on February 1, 2011, the parties to a commodity house lease shall complete the lease registration with the competent construction (real-estate) departments of the municipalities directly under the Central Government, cities and counties where the leased property is located within 30 days after the lease is executed. The competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties shall order the lease record filing to make corrections within a prescribed time limit, and shall impose a fine below RMB1,000 on individuals who fail to rectify within the specified time limit, and a fine between RMB1,000 and RMB10,000 on institutions which fail to rectify within the specified time limit.

## Regulations on Employment and Social Welfare

### *Employment*

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**"), or the Labor Contract Law and its implementation rules, which impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

The Labor Contract Law, which became effective on January 1, 2008, primarily aims at regulating rights and obligations of employment relationships, including the establishment, performance, and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

In December 2012, the Labor Contract Law was amended to impose more stringent requirements on the use of employees of temp agencies, who are known in China as "dispatched workers". Dispatched workers are entitled to equal pay with full-time employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security and came into effect on March 1, 2014, the number of dispatched workers hired by an employer may not exceed 10% of the total number of its employees. Where rectification is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

### *Social Insurance*

According to the Decision of the State Council on Establishing the Basic Medical Insurance System for Urban Employees (《國務院關於建立城鎮職工基本醫療保險制度的決定》), which was issued on December 14, 1998 and the Decision of the State Council on Improving the Basic Endowment Insurance System for Enterprise Employees (《國務院關於完善企業職工基本養老保險制度的決定》), which was issued on December 3, 2005, all urban employers, including enterprises (including but not limited to state-owned enterprises, collective enterprises, foreign-invested enterprises, private enterprises), government agencies, public institutions, social organizations, private non-enterprise units and their employees, must participate in basic medical insurance, and all urban enterprise employees, individual industrial and commercial households and flexible employment personnel must participate in the basic pension insurance for enterprise employees.

The Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (the "**Social Insurance Law**"), issued by the SCNPC on October 28, 2010 and last amended on December 29, 2018, the Regulations on Occupational Injury Insurance (《工傷保險條例》) effective as of January 1, 2004 and as amended on December 20, 2010, the Interim Measures concerning the Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) effective as of January 1, 1995, Unemployment Insurance Regulations (《失業保險條例》) effective as of January 22, 1999, have established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to the Social Insurance Law and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and most recently amended on March 24, 2019 and effective from the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees.

Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

***Housing Provident Fund***

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and amended on March 24, 2002, and March 24, 2019, enterprises must register at the designated administrative centers and open bank accounts for depositing employees' housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time.

In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the people's court will be applied. In case of failure to register and open accounts for depositing employees' housing provident funds, the housing fund management center shall order employers to go through the formalities within a specified period, where employers fail to do such formalities within the prescribed time, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

**Regulations on Foreign Exchange**

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "**SAFE Circular 59**"), which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well multiple capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect 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》) in February 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 10, 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the "**SAFE Circular 21**"), which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listed with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**") promulgated on March 30, 2015, coming effective on June 1, 2015 and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign- invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020). The notice canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

**Regulations on Taxation**

***Enterprise Income Tax ("EIT")***

According to the EIT Law, promulgated by the SCNPC on March 16, 2007, which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Implementation Rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on December 6, 2007, which became effective on January 1, 2008, and amended on April 23, 2019, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT rate of 25% of any income generated within or outside

the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the State. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (《財政部、國家稅務總局關於實施小微企業普惠性稅收減免政策的通知》), during the period from January 1, 2019 to December 31, 2021, the annual taxable income of small low-profit enterprises that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25% with the applicable EIT rate of 20%. According to the Announcement on Implementation of Income Tax Incentives for Micro and Small Enterprises and Individually-owned Businesses (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》) and the Announcement of the State Taxation Administration on Matters Concerning the Implementation of Preferential Income Tax Policies Supporting the Development of Small Low-Profit Enterprises and Individual Industrial and Commercial Households (《國家稅務總局關於落實支持小型微利企業和個體工商戶發展所得稅優惠政策有關事項的公告》), during the period from January 1, 2021 to December 31, 2022, the annual taxable income of a small low-profit enterprise that is not more than 1 million yuan shall be included in its taxable income at the reduced rate of 12.5%, with the applicable EIT rate of 20%. According to the Notice of the MOF and the SAT on the Income Tax Incentives to Small and Micro Enterprises and Privately-owned Businesses (《財政部、稅務總局關於小微企業和個體工商戶所得稅優惠政策的公告》) and the Notice of the MOF and the SAT on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households (財政部、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 shall be in force from January 1, 2023 to December 31, 2027, for the annual taxable income of a small and low-profit enterprise, the portion not exceeding RMB one million shall be treated as 25% for the purpose of taxable income calculation and subject to the EIT rate of 20%.

***Value-Added Tax ("VAT")***

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), promulgated by the State Council on December 13, 1993 and newly amended on November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), promulgated by the MOF and the STA on December 25, 1993 and latest amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the "**VAT Law**"), all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, and the importation of goods within the territory of the PRC must pay value-added tax. On November 19, 2017, the State Council promulgated the Decisions on Abolition of the Provisional Regulations of the PRC on Business Tax and Revision of the Provisional Regulations of the PRC on Value-added Tax (《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》) (the "**Order 691**"). According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, sales of services, intangible assets, real property, and the importation of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. The Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), was promulgated on April 4, 2018 and came into effect on May 1, 2018. The VAT tax rates of 17% and 11% are changed to 16% and 10%, respectively. On March 20, 2019, the MOF, STA and General Administration of Customs jointly promulgated the Announcement on Policies for Deeping the VAT Reform (《關於深化增值稅改革有關政策的公告》) (the "**Notice 39**"), which came into effect on April 1, 2019. Pursuant to Notice 39, the tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

**Regulations on the H Share Full Circulation**

"Full circulation" means listing and circulating on the stock exchange of the domestic unlisted shares of an H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, the CSRC issued the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》) (the "**Guidelines for the Full Circulation**"), which was revised on August 10, 2023.

According to the Guidelines for the Full Circulation, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file with the CSRC. And domestic companies limited by shares that have not been listed may file with the CSRC for the "Full circulation" at the time of their initial public offering and listing overseas.

On December 31, 2019, CSDC and the Shenzhen Stock Exchange (the "**SZSE**") jointly announced the Measures for Implementation of H-share Full Circulation Business (《H股"全流通"業務實施細則》) (the "**Measures for Implementation**"). The businesses in relation to the H-share full circulation business, such as cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. are subject to the Measures for Implementation.

**Regulations Relating to Overseas Securities Offering and Listing**

The CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five relevant guidelines on February 17, 2023, which took effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies' securities, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has

previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Moreover, upon the occurrence of any of the material events specified below after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within three working days after the occurrence and public disclosure of the event: (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting. Where an issuer's main business undergoes material changes after overseas offering and listing, and is therefore beyond the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a domestic law firm within three working days after occurrence of the changes.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Provision on Confidentiality**"), which took effect on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State.

## U.S. LAWS AND REGULATIONS

### Regulations on Outbound Investments

On June 21, 2024, the U.S. Department of the Treasury issued proposed regulations in a Notice of Proposed Rulemaking (the "**NPRM**") to implement Executive Order ("**E.O.**") 14105, which addresses U.S. investments in certain national security technologies and products in mainland China, Hong Kong and Macau. Consistent with the E.O., the proposed regulations focus on advanced semiconductors and microelectronics, quantum computing and related technologies, and specific types of artificial intelligence.

On October 28, 2024, the U.S. Department of the Treasury released a final rule to implement the E.O., which became effective on January 2, 2025. The E.O. targets investments involving persons and entities associated with "countries of concern," which currently only include the PRC, Hong Kong SAR, and Macau SAR, and it imposes investment prohibition and notification requirements on a wide range of investments in companies engaged in activities relating to three sectors: (i) advanced microchips and microelectronics, (ii) quantum computing, and (iii) artificial intelligence systems, with persons from countries of concern engaged in these technologies defined as "Covered Foreign Persons." Investments by U.S. persons subject to the E.O., which are defined as "covered transactions," include acquisitions of equity interests (including purchases of shares in an initial public offering), certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The E.O. excludes some investments from the scope of covered transactions, including those in publicly traded securities listed on a non-U.S. stock exchange.

**Regulations on Export Control**

In general, the BIS controls the export, reexport, and transfer (in-country) of commodities, software and technology (collectively, "Items") subject to the EAR. Items subject to the EAR include the following: (i) all items in the United States, including in a U.S. Foreign Trade Zone or moving in transit through the United States from one foreign country to another; (ii) all U.S. origin items wherever located; (iii) non-U.S.-made commodities that incorporate controlled U.S.-origin commodities, non-U.S.-made commodities that are 'bundled' with controlled U.S.-origin software, non-U.S.-made software that is commingled with controlled U.S.-origin software, and non-U.S.-made technology that is commingled with controlled U.S.-origin technology which exceeds a certain threshold ("*De Minimis* Rule"); and (iv) certain non-U.S.-produced "direct products" of specified "technology" and "software"; and certain non-U.S.-produced products of a complete plant or any major component of a plant that is a "direct product" of specified "technology" or "software" (Foreign Direct Product Rule, "FDP rule")

For items subject to the EAR under different circumstances, the scope of control corresponding to the end-user, end-use, destination, etc., may be different and need to be judged on a case-by-case basis. And if certain transactions or actions are controlled under the EAR, a license or license exception will be necessary.

The EAR administered by the BIS is frequently revised and updated. We have listed the major developments in recent years below for reference. It should be noted that all the following amendments will be incorporated into the EAR upon their effective date. The core logic of the EAR remains as described above, which involves controlling the export, re-export, or in-country transfer of items subject to the EAR. The following amendments mainly refine and strengthen the relevant control details. Accordingly, the EAR, as amended from time to time, applies to the Group's business operations when items subject to the EAR are transferred to specific end user/use or destination as identified in the EAR.

On October 7, 2022, BIS released an interim final rule ("**2022 IFR**") aimed to restrict the PRC's ability to both purchase and manufacture certain high-end chips used in military applications and build on prior policies, company-specific actions, and less public regulatory, legal, and enforcement actions taken by BIS.

The 2022 IFR addressed U.S. national security and foreign policy concerns in two key areas. First, the rule imposed restrictive export controls on certain advanced computing semiconductor chips, transactions for supercomputer end-uses, and transactions involving certain entities on the Entity List. Second, the 2022 IFR imposed new controls on certain semiconductor manufacturing items and on transactions for certain integrated circuit ("**IC**") end uses. Specifically, the 2022 IFR: (i) added certain advanced and high-performance computing chips and computer commodities that contain such chips to the Commerce Control List ("**CCL**"); (ii) added new license requirements for items destined for a supercomputer or semiconductor development or production end use in the PRC; (iii) expanded the scope of the EAR over certain foreign-produced advanced computing items and foreign produced items for supercomputer end uses; (iv) expanded the scope of foreign-produced items subject to license requirements to twenty-eight existing entities on the Entity List that are located in the PRC; (v) added certain semiconductor manufacturing equipment and related items to the CCL; (vi) added new license requirements for items destined to a semiconductor fabrication "facility" in the PRC that fabricates ICs meeting specified. Licenses for facilities owned by Chinese entities would face a "presumption of denial," and facilities owned by multinationals will be decided on a case-by-case basis; (vii) restricted the ability of U.S. persons to support the development, or production, of ICs at certain PRC-located semiconductor fabrication "facilities" without a license; (viii) added new license requirements to export items to develop or produce semiconductor manufacturing equipment and related items; and (ix) established a Temporary General License ("**TGL**") to minimize the short-term impact on the semiconductor supply chain by allowing specific, limited manufacturing activities related to items destined for use outside the PRC.

On October 17, 2023, BIS published two interim final rules ("**2023 IFR**") designed to update export controls on advanced computing semiconductors and semiconductor manufacturing equipment, as well as items that support supercomputing applications and end-uses, to arms

embargoed countries, including the PRC, and to place additional related entities in the PRC on the Entity List. The 2023 IFR reinforced the 2022 IFR controls to restrict the PRC's ability to both purchase and manufacture certain high-end chips critical for military advantage. The 2023 IFR are summarized briefly below:

***Advanced Computing Chips Rule ("AC/S IFR"):***

The AC/S IFR retained the stringent the PRC-wide licensing requirements imposed in the 2022 IFR and made two categories of updates: (1) Part 1, adjusting the parameters that determine whether an advanced computing chip is restricted; and (2) Part 2, imposing new measures to address risks of circumvention of the controls.

*Part 1: Parameter Changes:*

The AC/S IFR removed "interconnect bandwidth" as a parameter for identifying restricted chips. 2023 IFR also: (i) restricted the export of chips if they exceed either of two parameters: (a) The preexisting performance threshold set in the 2022 IFR; or (b) A new "performance density threshold," which is designed to preempt future workarounds; and (ii) required a notification for the export of certain additional chips with performance just below the restricted threshold. Under new "License Exception Notified Advanced Computing (NAC)," following receipt of notification for exports and reexport to Macau and destinations identified as subject to a U.S. arms embargo (including the PRC), the U.S. government would determine within 25 days whether the transaction may proceed under the license exception or instead require a license.

*Part 2: Circumvention Prevention:*

(i) Established a worldwide licensing requirement for export of controlled chips to any company that is headquartered in any destination subject to a U.S. arms embargo (including the PRC) or Macau, or whose ultimate parent company is headquartered in those countries, to prevent firms from countries of concern from securing controlled chips through their foreign subsidiaries and branches; (ii) created new red flags and additional due diligence requirements to help foundries identify restricted chip designs from countries of concern; (iii) expanded licensing requirements for export of advanced chips, with a presumption of denial, to all 22 countries to which the United States maintains an arms embargo (including the PRC) and Macau; (iv) imposed license requirements for export of advanced chips, with a presumption of approval, to these same additional countries, in response to reporting that countries of concern have used third countries to divert or access restricted items; (v) created a notification requirement for a small number of high-end gaming chips to increase visibility into shipments and prevent their misuse to undermine U.S. national security; and (vi) included a request for public comments on multiple topics, including risks associated with infrastructure as a service (IaaS) providers, the application of controls on deemed exports and deemed reexports, additional compliance guidance that could be provided to foundries receiving chip designs, and how to more precisely define key terms and parameters in the regulation.

***Expansion of Export Controls on Semiconductor Manufacturing Items Interim Final Rule ("SME IFR"):***

Key changes made from the 2022 IFR in the SME IFR include: (i) imposed controls on additional types of semiconductor manufacturing equipment; (ii) refined and better focused the U.S. persons restrictions while codifying previously existing agency guidance, to ensure U.S. companies cannot provide support to advanced Chinese semiconductor manufacturing while avoiding unintended impacts; and (iii) expanding license requirements for semiconductor manufacturing equipment to apply to additional countries beyond the PRC, to 21 other countries for which the U.S. maintains an arms embargo.

On December 2, 2024, BIS published a new interim final rule named as Foreign-Produced Direct Product Rule Additions, and Refinements to Controls for Advanced Computing and Semiconductor Manufacturing Items ("**2024 IFR**") to further impair the PRC's capability to produce advanced-node semiconductors that can be used in the next generation of advanced weapon systems and in artificial intelligence (AI) and advanced computing, which have significant military applications.

The rules included new controls on 24 types of semiconductor manufacturing equipment and 3 types of software tools for developing or producing semiconductors; new controls on high bandwidth memory ("**HBM**"); new red flag guidance to address compliance and diversion concerns; 140 Entity List additions and 14 modifications spanning Chinese tool manufacturers, semiconductor fabs, and investment companies involved in advancing the PRC government's military modernization; and several critical regulatory changes to enhance the effectiveness of previous controls. In line with these objectives, BIS was implementing several regulatory measures, including but not limited to: (i) New controls on semiconductor manufacturing equipment needed to produce advanced-node integrated circuits, including certain etch, deposition, lithography, ion implantation, annealing, metrology and inspection, and cleaning tools; (ii) New controls on software tools for developing or producing advanced-node integrated circuits, including certain software that increases the productivity of advanced machines or allows less-advanced machines to produce advanced chips; (iii) New controls on HBM. HBM is critical to both AI training and inference at scale and is a key component of advanced computing ICs. The new controls apply to U.S.-origin HBM as well as foreign-produced HBM subject to the EAR under the advanced computing FDP rule. Certain HBM will be eligible for authorization under new License Exception HBM; (iv) Addition of 140 entities to the Entity List, in addition to 14 modifications, including semiconductor fabs, tool companies, and investment companies that are acting at the behest of the PRC to further the PRC's advanced chip goals which pose a risk to U.S. and allied national security; (v) Establishment of two new FDP rules and corresponding *de minimis* provisions: (a) Semiconductor Manufacturing Equipment (SME) FDP: Extended jurisdiction over specified foreign-produced SME and related items if there is "knowledge" that the foreign-produced commodity is destined to Macau or a destination in Country Group D:5, including the PRC; (b) Footnote 5 (FN5) FDP: Extended jurisdiction over specified foreign-produced SME and related items if there is "knowledge" of certain involvement by an entity on or added to the Entity List with a FN5 designation; (c) *De minimis*: Extended jurisdiction over specified foreign-produced SME and related items described in the above FDP rules that contain any amount of U.S.-origin integrated circuits; (vi) New software and technology controls, including restrictions on Electronic Computer Aided Design (ECAD) and Technology Computer Aided Design (TCAD) software and technology when there is "knowledge" that such items will be used for the design of advanced-node integrated circuits to be produced in Macau or a destination in Country Group D:5; and (vii) Clarification to the EAR regarding existing controls on software keys. Export controls now apply to the export, reexport, or transfer (in-country) of software keys that allow access to the use of specific hardware or software or renewal of existing software and hardware use licenses.

In addition to the restrictions introduced by the IFRs, BIS maintains lists of persons or entities that are subject to enhanced export control restrictions. One such list, the Entity List, includes a list of foreign persons or entities on which certain trade restrictions are imposed, including business, research institutions, government and private organizations, individuals and other types of legal persons. The United States in recent years has placed an increasing number of entities, including a number of entities in the PRC, on the Entity List and other restricted or prohibited parties lists.

On September 23, 2024, the BIS issued a Notice of Proposed Rulemaking ("**NPRM**") that would prohibit the sale in or import into the United States of connected vehicles integrating specific hardware and software, or those components or software if sold or imported separately, with a sufficient nexus to certain foreign adversaries including China and The Russian Federation (Russia) (the "**Proposed Rule**"). Connected vehicle means a vehicle driven or drawn by mechanical power and manufactured primarily for use on public streets, roads, and highways, that integrates onboard networked hardware with automotive software systems to communicate via dedicated short-range communication, cellular telecommunications connectivity, satellite communication, or other wireless spectrum connectivity with any other network or device. Vehicles operated only on a rail line are not included in this definition. For the purposes of this subpart, a connected vehicle with a gross vehicle weight rating of more than 4,536 kilograms or 10,000 pounds is not included in this definition. The Proposed Rule identifies significant national security concerns associated with connected vehicles and related connect components and software designed, developed, manufactured or supplied by companies located in or headquartered in China or Russia, and is

expected to have a major impact on the automotive and ICTS sectors. Specifically, the Proposed Rule bans the importation and sale of hardware and software components integrated into Vehicle Connectivity Systems ("**VCS**") (largely technology that connects the vehicle to the internet) and software integrated into ADS (but excluding ADAS) absent a general or specific authorization. Therefore, for business in US, the sale of hardware and software integrated into VCS and software integrated into ADS will be banned. It also prohibits connected vehicle manufacturers that are owned by, controlled by, or subject to the jurisdiction of China or Russia from selling connected vehicles that incorporate VCS hardware or covered software in the United States. If adopted, prohibitions on software would go into effect for model year 2027 vehicles and prohibitions on hardware would take effect for Model Year 2030 vehicles, or January 1, 2029, for units without a model year. Model year means the year used to designate a discrete vehicle model, irrespective of the calendar year in which the vehicle was actually produced, provided that the production period does not exceed 24 months. The Proposed Rule establishes a requirement that connected vehicle manufacturers, which would be most OEMs and all importers, submit declarations of conformity, sets out the conditions for general and specific authorizations, establishes a process for industry stakeholders to seek an advisory opinion from BIS with respect to specific transactions, and establishes a process to inform VCS hardware importers and connected vehicle manufacturers that a specific authorization may be required. BIS issued a final rule cementing the procedures it will follow in investigating foreign adversary threats to information and communications technology and services (ICTS) transactions that may harm U.S. national security, pursuant to Executive Order 13873: *Securing the Information and Communications Technology and Services Supply Chain*. Such final rule became effective on February 4, 2025.

**Regulations on Tariff**

On May 14, 2024, the Office of the United State Trade Representative announced a plan to raise the tariff rate applicable to U.S. imports of electric vehicles from China from 25% to 100%, and these higher tariff rates on electric vehicle imports became effective in September, 2024. Separately, from October 30, 2024, the European Commission imposed higher countervailing tariffs on imports of electric vehicles made in China. These new tariffs, which will apply across the European Union, range from 17.0% to 35.5% (except for Tesla, which has been assigned a countervailing duty of 7.8%), depending on the OEM that produced the vehicle. These new tariffs are applicable to electric vehicles, not solutions that we develop; accordingly, these new U.S. and EU tariffs are not applicable to our sales. However, these tariffs may adversely impact the sales of some of our OEM customers in Europe and deter our customers from pursuing sales in the United States.

The United States Supreme Court's decision on February 20, 2026, however, determined that the President lacks authority under IEEPA to impose tariffs, thereby rendering the reciprocal tariffs and the "fentanyl-related" 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, notwithstanding the U.S. President's prior announcement of the intent to impose a tariff of up to 15% for the same duration under the same statutory authority; meanwhile, the counter-tariff on all goods from the U.S. imposed by Chinese government is currently 10% (the previously imposed additional 24% counter-tariff has been suspended until November 10, 2026). It should be noted that although the legitimacy of IEEPA tariffs are currently under judicial review by the U.S. federal court, the aforementioned IEEPA tariffs are still in effect. As of the Latest Practicable Date, the applicable U.S. tariff rates on passenger vehicles imported from China are as follows:

| | | Additional tariffs | | | |
|---|---|---|---|---|---|
| **Type of China-made Vehicles** | **Base tariff** | **232 duty** | **301 duty** | **122 duty** | **Cumulative tariff rate** |
| EV | 2.5% | 25% | 100% | 10% | 137.5% |
| Non-EV | 2.5% | 25% | 25% | 10% | 62.5% |

As of the date of the Document, EU tariff rates on passenger vehicles imported from China are 10%, regardless of the specific vehicle type. The 10% rate is the standard import tariff the EU applies to imported automobiles. The new EU countervailing tariffs on imports of electric vehicles made in China from October 2024 are imposed in addition to such 10% standard tariff applied to imported vehicles.

The table below sets forth are all applicable tariff rates as at the date of this document in the U.S., EU and any other applicable jurisdiction(s) for products sold and raw materials procured by the Group. It should be noted that tariff rates on specific products need to be calculated based on specific circumstances, and some tariff rates might be exempted under certain circumstances. The following are only some of the common duty types:

| | | |
|---|---|---|
| **Level 1** | **Import Tariff Rate for the Product** | **Depends on the HTSUS of the products** |
| | **+** | |
| **Level 2** | **Section 301 Tariffs (if applicable)** | **Varies from 7.5% to 100%** |
| | **+** | |
| **Level 3** | **Section 232 Tariffs (if applicable)** | **Different tax rates for different products** |
| | **+** | |
| **Level 4** | **Anti-dumping Duties and Countervailing Duties (if applicable)** | **Different tax rates for different products** |
| | **+** | |
| **Level 5** | **Section 122 Tariff (effective for 150 days from February 24, 2026)** | **10% on all goods imported to the U.S.** |

Unlike the U.S., the E.U. has no Section 122 tariff that is universally applicable to products from the PRC. However, the E.U. has implemented anti-subsidy measures on finished electric vehicles from the PRC since October 2024. The calculation formula for the E.U. tax rate in relation to Chinese electronic vehicles as follows:

| | | | Countervailing Duties | | | | |
|---|---|---|---|---|---|---|---|
| **Products** | **Certificate of Origin** | **Standard Tax Rate** | **BYD** | **Geely** | **SAIC** | **Cooperating companies** | **Non-cooperating companies** |
| Electric motors . . . . | PRC | 10% | 17% | 18.8% | 35.3% | 20.7% | 35.3% |

According to CIC, vehicle exports from China to the E.U. market experienced an overall upward trend from 2023 to 2024, although the growth rate slowed in 2024, primarily attributable to a modest decline in exports of new energy vehicles, which were partially affected by rising E.U. tariffs. In 2025, export growth recovered, with total exports increasing by 42.7% year-on-year. Meanwhile, exports of internal combustion engine (ICE) vehicles continued to record robust growth, with year-on-year increases of 62.9% in 2023, 32.0% in 2024, and 28.9% in 2025. While there is currently no direct or indirect impact on our business, it remains possible that the E.U. tariffs could indirectly influence downstream demand for vehicles intended for the E.U. market, which in turn may have an indirect impact on demand for our solutions in the future.