

REGULATORY OVERVIEW

The major PRC laws, regulations, normative documents and regulatory policies that have impact on our business operations are set out below:

INDUSTRIAL POLICIES AND REGULATORY PROVISIONS

The Outline for Promoting the Development of the National Integrated Circuit Industry (《國家集成電路產業發展推進綱要》), promulgated by the State Council on June 24, 2014 and effective on the same day, sets out main tasks and priorities of development of the PRC’s integrated circuit industry, including putting efforts on the development of integrated circuit design industry, accelerating the development of integrated circuit manufacturing industry, improving the development level of advanced packaging and testing industry, and making breakthroughs on the key equipment and materials of integrated circuit.

The National Catalogue for Guidance on Industrial Restructuring (2024 Version) (《產業結構調整指導目錄(2024年本)》), promulgated by the National Development and Reform Commission (the “NDRC”) on December 27, 2023 and effective on February 1, 2024, categorizes “integrated circuit” and “intelligent manufacturing” under the encouraged category.

The “14th Five-Year” Intelligent Manufacturing Development Plan (《“十四五”智能製造發展規劃》), jointly promulgated by the Ministry of Industry and Information Technology (the “MIIT”) and seven other departments on December 21, 2021, proposed a “two-step” goal in promoting the development of intelligent manufacturing, including constructing smart manufacturing demonstration factories, building smart workshops and smart factories, and expanding the application of intelligent manufacturing. The plan further sets out that, leveraging the strong domestic market, the development of intelligent manufacturing equipment, software and system solutions shall be accelerated. In particular, with respect to the weaknesses and shortcomings in key areas such as sensing, control, decision-making and execution, the plan calls for strengthening collaborative innovation among industry, academia and research institutions to achieve breakthroughs in a number of “bottleneck” basic components and devices, and promotes the deep integration of advanced processes, information technology and manufacturing equipment through the construction of smart workshops and factories, driving the accelerated development and iterative upgrading of both general-purpose and specialized intelligent manufacturing equipment.

REGULATIONS IN RELATION TO PRODUCT LIABILITY

The Product Quality Law of the PRC (《中華人民共和國產品質量法》), promulgated by the SCNPC on February 22, 1993 and latest amended on December 29, 2018 (the “**Product Quality Law**”), is the principal governing law relating to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable to compensate for any bodily injuries or damage to property other than the defective product itself resulting from the defects in the product, unless the manufacturer is able to prove that: (1) the product has never been circulated; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects.

REGULATIONS ON IMPORT AND EXPORT OF GOODS

According to the revised Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on December 27, 2025 and effective on March 1, 2026, no filings is required for foreign trade operators engaged in goods import and export or technology import and export, with effect from March 1, 2026.

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According to the Administrative Provisions of the Customs of the People’s Republic of China on Record-filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), promulgated by the General Administration of Customs of the PRC on November 19, 2021 and effective on January 1, 2022, where the consignee or consignor of imported or exported goods or a customs declaration enterprise applies for recordation, it shall obtain the qualification of market entities; particularly where the consignee or consignor of imported or exported goods applies for recordation, it shall be filed as a foreign trade operator.

REGULATIONS ON FOREIGN INVESTMENT

Foreign Investment

As provided under the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (“**Foreign Investment Law**”), which was promulgated by the National People’s Congress on March 15, 2019 and came into effect on January 1, 2020, the State 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; and the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will grant national treatment to foreign investments outside of the negative list. The negative list is released by or upon approval of the State Council.

The Special Administrative Measures (Negative List) for the 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**”), promulgated by the NDRC and MOFCOM on September 6, 2024 and effective on November 1, 2024, sets forth industries in which foreign investment is restricted or prohibited. The Catalog of Industries for Encouraging Foreign Investment (2025 Version) (《鼓勵外商投資產業目錄(2025年版)》) (the “**Encouraging Catalog**”), promulgated by the NDRC and MOFCOM on December 15, 2025 and effective on February 1, 2026, sets forth industries in which foreign investment is encouraged. Any industry not included in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

Outbound Investment

Pursuant to the Administrative Measures for Outbound Investment (《境外投資管理辦法》) promulgated by the MOFCOM on September 6, 2014 and implemented on October 6, 2014, the MOFCOM and provincial competent commerce departments shall carry out administration either by record-filing or by verification and approval depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves sensitive countries and regions or sensitive industries shall be subject to administration by verification and approval. Outbound investment that falls under any other circumstances shall be subject to administration by record-filing.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and effective from March 1, 2018, domestic enterprises (the “**investors**”) in the PRC making an outbound investment shall go through verification and approval or record-filing or other procedures applicable to outbound investment projects (the “**Projects**”), report relevant information, and cooperate with the supervision and inspection. Sensitive Projects carried out by the investors directly or through overseas enterprises controlled by them shall be subject to the management of verification and approval; non-sensitive Projects directly carried out by the investors, namely, non-sensitive projects involving the investors’ direct contribution of assets or rights and interests or provision of financing or security, shall be subject to the management of record-filing. The aforementioned sensitive project means a project involving sensitive countries and regions or a sensitive industry. The NDRC promulgated the Catalog of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》), effective on March 1, 2018, to list the sensitive industries for foreign investment in detail.

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According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) issued by the State Administration of Foreign Exchange on February 13, 2015 and effective from June 1, 2015, which was last amended on December 30, 2019, the approval of foreign exchange registration for direct investment is canceled. Banks directly review and handle the foreign exchange registration for overseas direct investment. The State Administration of Foreign Exchange and its branches indirectly supervise the registration of foreign exchange for overseas direct investment through banks.

REGULATIONS ON CYBERSECURITY, DATA SECURITY AND PROTECTION OF PERSONAL INFORMATION

According to the Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》), which was promulgated by the SCNPC on November 7, 2016 and came into effect on June 1, 2017, when constructing and operating a network, or providing services through a network, technical measures and other necessary measures shall be taken in accordance with the laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, to effectively cope with cybersecurity events, to prevent criminal activities committed on the network, and to protect the integrity, confidentiality and availability of network data. Any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others, or illegally stealing or obtaining personal information, or illegally selling or providing personal information to others.

According to the Cybersecurity Review Measures (《網絡安全審查辦法》), jointly promulgated by the Cyberspace Administration of China (the “CAC”) and other regulatory authorities on December 28, 2021 and effective on February 15, 2022, (i) an application for cybersecurity review shall be made by an issuer which is an internet platform operator holding personal information of more than one million users before such issuer applies to list its securities in a foreign country. Since the Hong Kong Special Administrative Region is not a foreign country, listing in Hong Kong does not fall within the scope of listing abroad, so that voluntary application for cybersecurity review shall be not required under this provision, (ii) critical information infrastructure operators that purchase internet products and services must be subject to a cybersecurity review if their activities affect or may affect national security, (iii) network platform operators that engage in data processing activities that affect or may affect national security shall be subject to the cybersecurity review. Pursuant to Article 16 under the Cybersecurity Review Measures, “where members of the cybersecurity review working mechanism believe that network products and services and data processing activities affect or are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure, and then conduct a review in accordance with the Cybersecurity Review Measures.”

The Data Security Law of the People’s Republic of China (《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 conducting data processing activities shall be in compliance with the provisions of laws and regulations, and sets forth the requirements for establishing and completing a data security management system for the entire workflow, as well as the relevant legal liabilities due to the failure to fulfill the data security protection obligations as stipulated in this Law. Processors of important data shall specify the person responsible for data security and management agencies, implement data security protection responsibilities, periodically conduct risk assessments of such data processing activities as provided and submit risk assessment reports to the relevant authorities. If an entity violates the Data Security Law of the People’s Republic of China and other applicable measures, such entity may be subject to a rectification order, warning, fine, suspension of relevant business, suspension of operations for rectification, and revocation of business permits or licenses by the relevant competent authorities, or even held criminally liable.

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According to the Regulations on Network Data Security Management (《網絡數據安全管理條例》) promulgated by the State Council on September 24, 2024 and effective on January 1, 2025, no individual or organization shall engage in illegal activities using network data, nor shall they engage in unlawful network data processing activities such as stealing or illegally obtaining network data, or unlawfully selling or providing network data to others. A network data processor that conducts network data processing activities which affect or may affect national security shall be subject to national security review in accordance with the relevant national regulations.

On August 20, 2021, the SCNPC promulgated 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 consolidates discrete rules on personal information rights and privacy protection and took effect on November 1, 2021. The Personal Information Protection Law aims to protect personal information rights, regulate the processing of personal information, and promote the rational use of personal information. As stipulated in the Personal Information Protection Law, personal information refers to the information related to an identified or identifiable individual recorded electronically or by other means, excluding anonymized information. The Personal Information Protection Law applies to processing activities for personal information of natural person within the territory of the RPC, as well as to certain processing activities for personal information of natural person within the territory of the RPC outside the territory of the RPC, including but not limited to the provision of products or services for, and the analysis and assessment of the behavior of, a natural person within the territory of the RPC, and other circumstances under laws and administrative regulations.

On July 7, 2022, the CAC promulgated the Measures for Security Assessment for Cross-border Data Transfer (《數據出境安全評估辦法》), which came into effect on September 1, 2022. The Measures provide the following circumstances, under any of which data processors who provide data to overseas areas shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of data cross-border transfer. These circumstances include: (i) where a data processor provides important data to overseas areas; (ii) where a crucial information infrastructure operator and a data processor processing the personal information of more than one million individuals provide personal information to overseas areas; (iii) where a data processor who has provided personal information of 100,000 individuals or sensitive data of 10,000 individuals cumulatively to overseas areas since January 1 of the previous year provides personal information to overseas areas; and (iv) other circumstances in which the application for security assessment of cross-border transfer of data is required as stipulated by the CAC.

On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》). The Provisions provide the following circumstances, under any of which data processors who provide data to overseas areas shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of data cross-border transfer. These circumstances include: (i) where a crucial information infrastructure operator provides personal information or important data to overseas areas; (ii) where a data processor other than critical information infrastructure operators provides important data to overseas areas or cumulatively provides overseas areas personal information (excluding sensitive personal information) of more than one million individuals, or sensitive personal information of more than 10,000 individuals since January 1 of any calendar year. Besides the above, the Provisions also provide certain circumstances under which the data processors are exempted from carrying out the security assessment of data cross-border transfer or standard contract/personal information protection certification requirements, loosening the regulations over personal information data cross-border transfer.

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REGULATIONS ON FOREIGN EXCHANGE ADMINISTRATION

According to the Foreign Exchange Control Regulations of the People’s Republic of China (《中華人民共和國外匯管理條例》), promulgated by the State Council on January 29, 1996, and latest amended on August 5, 2008, with the latest revision effective on the same date, transactions involving goods, services, income and current transfers in the balance of payments are regarded as current accounts, under which the foreign exchange payments 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.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) issued on February 13, 2015 and effective on June 1, 2015, the State Administration of Foreign Exchange (the “SAFE”) has cancelled the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

On December 24, 2025, the People’s Bank of China and the SAFE jointly issued the Notice on Issues Concerning the Administration of Funds of Domestic Enterprises Listed Overseas (《關於境內企業境外上市資金管理有關問題的通知》) (the “Notice”), which came into effect on April 1, 2026. The Notice unifies Renminbi and foreign-currency fund management for overseas listing proceeds, facilitates domestic use of proceeds and exchange-rate risk management, streamlines registration procedures, and strengthens fund supervision by generally requiring repatriation of proceeds while allowing qualified enterprises to retain funds overseas under prescribed conditions.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Patent

In accordance with the Patent Law of the People’s Republic of China (《中華人民共和國專利法》), which was promulgated by the SCNPC on March 12, 1984, and latest amended on October 17, 2020 and effective on June 1, 2021, the Implementation Regulations for the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》), which was promulgated by the State Council on June 15, 2001 and last amended on December 11, 2023, with the latest revision effective on January 20, 2024, patent in PRC shall be categorized as invention, utility model and design. The duration of patent rights for an invention shall be 20 years, the duration of patent rights for a utility model shall be 10 years and the duration of patent rights for a design shall be 15 years, commencing from the filing date.

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Trademark

In accordance with the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) which was promulgated by the SCNPC on August 23, 1982, and was latest amended on April 23, 2019, with the latest revision effective on November 1, 2019, and the Implementation Regulations for the Trademark Law of the People’s Republic of China (《中華人民共和國商標法實施條例》) which was promulgated by the State Council on August 3, 2002 and was latest amended on April 29, 2014, with the latest revision effective on May 1, 2014, trademarks approved and registered by the Trademark Bureau are recognized as registered trademarks, including commodity trademarks, service marks and collective trademarks, certification marks; trademark registrants are entitled to exclusive rights to use trademark and are protected by the law. A registered trademark shall be valid for 10 years, commencing from the date of registration. Use of a trademark identical or similar to a registered trademark on the same type of commodities without licensed by the trademark registrant shall be deemed as infringement of exclusive rights to use registered trademarks.

Domain Name

In accordance with the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) which was promulgated by the MIIT on August 24, 2017 and came into effect on November 1, 2017, the domain name registration services shall in principle implement “first-to-file” principle, unless otherwise stipulated by specific registration rules. Upon completion of registration, the applicant becomes the holder of the domain name. Any organization or individual that considers a domain name registered or used by another party to infringe upon its lawful rights and interests may apply to a domain name dispute resolution provider for resolution or initiate legal proceedings before a people’s court in accordance with law.

Copyright

In accordance with the Copyright Law of the People’s Republic China (《中華人民共和國著作權法》) which was promulgated by the SCNPC on September 7, 1990 and latest amended on November 11, 2020, with latest revision effective on June 1, 2021, Chinese citizens, legal persons and other organizations without legal personality are entitled to copyright protection over their works, whether published or unpublished. Copyright includes personal rights and property rights.

REGULATIONS ON TAX

Enterprise Income Tax

In accordance with the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) which was promulgated by the SCNPC on March 16, 2007, and was latest amended on December 29, 2018, with the latest revision effective on the same date and the Implementation Regulations for the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) (the “**EIT Implementation Regulations**”) which was promulgated by the State Council on December 6, 2007, and was latest amended on December 6, 2024, with the latest revision effective on January 20, 2025, both resident enterprises and non-resident enterprises that have established institutions or premises in the PRC are subject to a uniform enterprise income tax rate of 25%. Enterprises established under the laws of other jurisdictions whose “de facto management bodies” are located within the PRC are deemed resident enterprises and are subject to the 25% enterprise income tax rate on income derived from both within and outside the PRC. Corporate income tax for key advanced and new technology enterprises supported by PRC shall be at a reduced tax rate of 15%.

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Value-added Tax

Pursuant to the Value-added Tax Law of the PRC (《中華人民共和國增值稅法》) promulgated by the SCNP on December 25, 2024 and effective as of January 1, 2026, entities and individuals that sell goods, services, intangible assets or real estate within the territory of the PRC, as well as import goods, shall be taxpayers of value-added tax ("VAT") and shall pay VAT in accordance with the provisions thereof.

REGULATIONS ON CONSTRUCTION

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

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

REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

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

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》), promulgated and implemented by the former Ministry of Environmental Protection (now the MEE) on November 20, 2017, regulate the procedures and standards for environmental protection acceptance by construction entities upon the completion of construction projects.

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Pursuant to Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》), promulgated by the State Council on January 24, 2021 and became effective on March 1, 2021, enterprises, public institutions and other producers and business operators that are subject to pollutant discharge permit administration in accordance with laws shall apply for and obtain a pollutant discharge permit in accordance with the Regulations. The entities that fail to obtain a pollutant discharge permit shall not discharge any pollutants.

According to the Administrative Measures on Pollutant Discharge Permit (《排污許可管理辦法》) issued by the Ministry of Ecology and Environment on April 1, 2024 and came into effect on July 1, 2024, enterprises, public institutions and other producers and operators that are subject to the administration of pollutant discharge permits shall apply for pollutant discharge permit and discharge pollutants in accordance with the requirements of the pollutant discharge permit; and those who have not obtained the pollutant discharge permits shall not discharge pollutants. According to the Classification Management List for Fixed Source Pollution Permits (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), the state implements key management, simplified management and registration-based management of pollutant discharge permits according to factors such as the quantity of pollutants generated and discharged by enterprises, public institutions and other producers and operators discharging pollutants and the degree of impact on the environment.

REGULATIONS ON LABOR

Labor Relations

The Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, and was latest amended on December 28, 2012, with the latest revision effective on July 1, 2013, governs the establishment of labor relationships between enterprises, individual economic organizations, private non-enterprise entities etc., in the PRC and their workers. It provides detailed provisions concerning the formation, performance, modification, termination and rescission of labor contracts, specifies relevant detailed requirements on terms and contents of labor contracts signed between the parties, and stipulates maximum working hours per day and per week as well as the statutory minimum monthly wage.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, and last amended on December 29, 2018 and came into effect on the same day, the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and last amended on March 24, 2019 and came into effect on the same day, and other relevant laws and regulations, employers in China are required to provide employees with welfare schemes covering basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing provident fund.

According to the Interpretation II of the Supreme People's Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which was promulgated on July 31, 2025 and came into effect on September 1, 2025, if the employer and its employee agree or the employee undertakes that social insurance contributions need not be paid, the People's Court shall deem such agreement or undertaking invalid. Furthermore, where the employer fails to pay social insurance contributions in accordance with the applicable laws, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to the Labor Contract Law of the PRC, the People's Court shall support such claims.

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REGULATIONS ON DIVIDEND DISTRIBUTION

In accordance with the Company Law of the People’s Republic of China (《中華人民共和國公司法》), which was promulgated by the SCNPC on December 29, 1993, October 26, 2018, and was amended on December 29, 2023, and the Foreign Investment Law, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company, including foreign-invested enterprise, is required to set aside as statutory reserves at least 10% of its after-tax profit, until the cumulative amount of statutory reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided, and shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

According to the Notice of the State Administration of Foreign Exchange on Further Promoting Trade and Investment Facilitation and Improving Authenticity Review (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) promulgated by the SAFE on January 26, 2017, (1) under the principle of genuine transaction, the banks shall review the board resolutions regarding profit distribution, the original copy of tax filing records and audited financial statements; and (2) domestic institutions shall hold income to account for previous years’ losses according to the law before remitting the profits. Moreover, domestic institutions shall make detailed explanations of sources of capital for investment and its utilization arrangements, and provide board resolutions, contracts and other proof of authenticity when proceeding with the registration procedures in connection with an outbound direct investment.

REGULATIONS ON EQUITY INCENTIVE PLAN

According to the Notice of the State Administration of Foreign Exchange on Issues concerning the Foreign Exchange Administration of Domestic Individuals’ Participation in Equity Incentive Plans of Overseas Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), which was promulgated by the SAFE on February 15, 2012 and other relevant rules, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year who participate in equity incentive plans of the same overseas listed company shall, through the domestic company to which the said company is affiliated, collectively entrust a domestic agency (the “**domestic agency**”) to handle issues like foreign exchange registration, account establishment, funds transfer and remittance, and entrust an overseas institution (the “**overseas trustee**”) to handle issues like exercise of options, purchase and sale of corresponding stocks or equity, and transfer of corresponding funds. In addition, in the case of any significant change in the equity incentive plan of a company listed overseas (such as amendment to any key clauses of the original plan, addition of a new plan, or any other change in the original plan arising out of the merger, acquisition or reorganization of the overseas listed company or the domestic company or other major events), the domestic agency or the overseas trustee shall, within three months of the occurrence of such change, go through change registration procedures with the local office of the SAFE on the strength of a written application, the original certificate of foreign exchange registration for the equity incentive plan, a newly filled-out Foreign Exchange Registration Form and materials which demonstrate the authenticity of relevant transactions.

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REGULATIONS ON SECURITIES AND OVERSEAS LISTINGS

Securities Laws and Regulations

The Securities Law of the PRC (《中華人民共和國證券法》), which was promulgated by the SCNPC on December 29, 1998, and was latest amended on December 28, 2019 and effective on March 1, 2020, comprehensively regulates activities in the PRC securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listings

On February 17, 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Measures for the Administration on 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**”) together with five supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the “**Overseas Listing Regulations**”). Under Overseas Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

The Overseas Listing Regulations provide that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Additionally, the Overseas Listing Regulations stipulates that after an issuer has offering and listing securities in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of (i) a change of control thereof, (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities, (iii) changes of listing status or transfers of listing segment, and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security.

REGULATORY OVERVIEW

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

The major Malaysian laws, regulations and regulatory policies that have an impact on our business operations are set out below:

REGULATIONS ON COMPANY GOVERNANCE AND CORPORATE COMPLIANCE

The Companies Act 2016 (the “**Companies Act**”) constitutes the principal legislation governing all companies in Malaysia. It governs how companies are formed, managed, and regulated. It provides a comprehensive statutory framework in respect of, among others, incorporation of company, company structure (including the no-par value share regime) and management, appointment, duties and responsibilities of directors and company secretaries, shareholders’ right, financial reporting and auditing and winding up procedures. It further establishes the separate legal personality of a company and prescribes mandatory statutory filing obligations as well as shareholders’ rights and obligations. The Companies Act applies to all corporate governance matters of the Company, including shareholding changes, appointment and removal of directors, registration of security interests and corporate approvals. The Companies Act is administered by the Companies Commission of Malaysia (SSM). To the extent applicable, it applies to the Company’s relevant corporate governance matters.

REGULATIONS ON INDUSTRY AND MANUFACTURING LICENSING

The Industrial Co-ordination Act 1975 (the “**ICA**”) is the primary law administered by Ministry of Investment, Trade and Industry (**MITI**) to regulate and coordinate the manufacturing sector in Malaysia. It governs, among others, the licensing of manufacturing activities and the conditions imposed on licensed manufacturers. Pursuant to the ICA, manufacturing activities meeting prescribed thresholds are required to obtain a manufacturing license granted by the Minister and administered in practice by the Malaysian Investment Development Authority (MIDA) who issues specific guidelines. The ICA constitutes an important part of the regulatory framework applicable to the Company’s manufacturing operations. To the extent applicable, it applies to the Company’s manufacturing activities.

REGULATIONS ON CUSTOMS AND CROSS-BORDER TRADE

The Customs Act 1967 (the “**Customs Act**”) governs import and export of goods in Malaysia. It empowers the Royal Malaysian Customs Department (RMCD) to levy and collect customs duties, control the movement of goods across borders, and manage warehouses. To the extent applicable, the Customs Act applies to the Company’s import and export of equipment, bonded warehousing arrangements and operations within customs-controlled areas.

REGULATORY OVERVIEW

REGULATIONS ON EMPLOYMENT AND WORKPLACE COMPLIANCE

The Employment Act 1955 (the “**Employment Act**”) sets out the statutory framework governing employment relationships in Malaysia, including contracts of service, wages, working hours, leave entitlements, termination and lay-off procedures and minimum employee protections. The Employment Act primarily applies to employees within the statutory scope (including those below prescribed salary thresholds or engaged in specified categories of work) and forms a key legal basis for the Company’s employment practices. To the extent applicable, it applies to the Company’s employment arrangements.

In Malaysia, two key laws govern mandatory employee contributions for social protection and retirement savings:

- The Employees’ Social Security Act 1969 establishes the Social Security Organization (SOCSO, also known as PERKESO). It provides protection against employment-related injuries, invalidity, and death through schemes like the Employment Injury Scheme and Invalidity Scheme. Contributions are generally mandatory for Malaysian employees and permanent residents, and in many cases also apply to foreign workers (though coverage differs by scheme).
- The Employees Provident Fund Act 1991 governs the Employees Provident Fund (EPF), which is a retirement savings scheme. Both employers and employees must contribute a percentage of wages into individual EPF accounts. This primarily applies to Malaysian citizens and permanent residents, while participation for foreign workers is typically voluntary unless specific conditions apply.

The Fire Services Act 1988 (the “**Fire Services Act**”) regulates fire safety requirements for industrial and commercial premises, including fire protection systems, approvals and certification, and is enforced by the Fire and Rescue Department of Malaysia (BOMBA). To the extent applicable, it applies to the Company’s manufacturing building and office premises.

The Occupational Safety and Health Act 1994 (the “**OSHA**”), as amended in 2022, regulates workplace safety and health in Malaysia. It imposes general duties on employers to ensure a safe working environment, including the need to identify hazards, assess risks, and implement appropriate control measures for workplace processes.

REGULATIONS ON TAXATION AND DOCUMENTATION COMPLIANCE

The Income Tax Act 1967 (the “**Income Tax Act**”) governs the imposition, assessment and administration of income tax in Malaysia, including tax filing obligations, determination of taxable income, tax audits and transfer pricing compliance, and is administered by the Inland Revenue Board of Malaysia. To the extent applicable, it applies to the Company’s taxation matters.

The Stamp Act 1949 (the “**Stamp Act**”) imposes stamp duty on specified instruments, including but not limited to leases, share transfer instruments and commercial agreements, and provides that unstamped instruments are generally not admissible in court as evidence unless the applicable stamp duty and penalties are paid. To the extent applicable, it applies to the Company’s transactional documents.

The Sales Tax Act 2018 is a consumption-based tax law in Malaysia that governs the imposition of sales tax on taxable goods manufactured locally or imported, typically applied at the manufacturer or importation stage.

REGULATORY OVERVIEW

REGULATIONS ON REAL PROPERTY AND ASSET COMPLIANCE

The National Land Code 1965 (the “**National Land Code**”) governs land administration Peninsular Malaysia, including land tenure, registration of title, and dealings such as transfers, leases. It provides the legal framework for the acquisition, use, and development of land, including industrial land. As land is a State matter, approvals relating to foreign ownership are administered by the relevant State Authorities in accordance with applicable state policies. To the extent applicable, it applies to the Company’s land and property arrangements.

REGULATIONS ON INTELLECTUAL PROPERTY PROTECTION

The Patents Act 1983 (the “**Patents Act**”) governs the registration, protection and enforcement of patents in Malaysia. To the extent applicable, it applies to the protection of the Company’s technological developments.

The Trademarks Act 2019 (the “**Trademarks Act**”) regulates the registration, publication, opposition and renewal of trademarks in Malaysia, as well as their protection and enforcement. To the extent applicable, it applies to the Company’s brand protection.

REGULATIONS ON DATA PROTECTION AND ANTI-MONEY LAUNDERING

The Personal Data Protection Act 2010 (the “**PDPA**”) regulates the processing of personal data in commercial transactions in Malaysia, including the collection, use, storage and disclosure of such data, and imposes data protection obligations on data users. To the extent applicable, it applies to the Company’s processing of personal data in its business operations.

The Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (the “**AMLA**”) imposes obligations relating to customer due diligence, record-keeping and reporting of suspicious transactions, and prohibits money laundering and terrorism financing activities. To the extent the Company is subject to obligations under the AMLA (including in relation to specific transactions or counterparties), it is required to comply with the applicable requirements.

REGULATIONS ON ENVIRONMENTAL COMPLIANCE

The Environmental Quality Act 1974 (the “**EQA**”) regulates environmental protection in Malaysia and is enforced by the Department of Environment (DOE). It includes the Environmental Quality (Scheduled Wastes) Regulations 2005, which prescribe strict requirements for the classification, storage, labeling, transport, and disposal of scheduled (hazardous) wastes; the Environmental Quality (Clean Air) Regulations 2014, which regulate air emissions from industrial facilities, including limits on smoke, dust, and gaseous pollutants from emission sources such as factory stacks; and the Environmental Quality (Industrial Effluent) Regulations 2009, which set standards for the discharge of industrial wastewater, with compliance requirements based on Standard A or Standard B limits depending on the receiving environment. To the extent the Company is subject to obligations under the EQA, it is required to comply with the applicable requirements.