MAIN PRC REGULATORY AUTHORITIES

We are mainly engaged in the R&D, design and sales of display chips and sensing-control chips. The main regulatory authority for our business activities in this industry is the MIIT, and the self-regulatory organization is the China Semiconductor Industry Association (the "Industry Association"). The MIIT and the Industry Association constitute the management system for the integrated circuit industry. Under the industrial macro-control of the main regulatory authority and the self-regulatory norms of the Industry Association, each integrated circuit company operates independently in the market and bears market risks on its own.

POLICIES ON INTEGRATED CIRCUIT INDUSTRY

Support Policies for the Integrated Circuit Industry

In June 2014, the State Council of the People's Republic of China issued 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), which states that the development goal of the integrated circuit industry is to reach an advanced international standard in the major segments of the integrated circuit industry chain by 2030, with a batch of companies entering the international first tier and achieving leapfrog development. One of the main tasks and development priorities is to focus on the development of integrated circuit design industry, and strengthen collaborative innovation in integrated circuit design, software development, system integration, content and services based on the industrial chain in key areas, so as to drive the development of the manufacturing industry with the rapid growth of the design industry.

In November 2016, the State Council issued the Notice of the State Council on Printing and Distributing the Plan for Development of the National Strategic Emerging Industries under the "13th Five-Year Plan" (國務院關於印發「十三五」國家戰略性新興產業發展規劃的通知), which launched a major productivity layout planning project for integrated circuits and provided for the implementation of a batch of projects with strong driving effects to promote the rapid improvement of industrial capabilities. It also called for the acceleration of the production lines construction for advanced manufacturing processes, memories and special processes, the improvement in the design and development capabilities and application levels of key products such as safe and reliable CPUs, digital-analog/analog-digital conversion chips, and digital signal processing chips, and the promotion of the rapid development of industries such as packaging and testing, key equipment and materials. It supports the improvement of the service levels of foundry companies and third-party IP core companies, the collaborative innovation between design companies and manufacturing companies, and facilitates the improvement of industrial concentration in key segments to promote the collaborative innovation of the semiconductor display industry chain.

In January 2017, the NDRC issued the Guidance Catalog of Key Products and Services in Strategic Emerging Industries (2016 Revision) (戰略性新興產業重點產品和服務指導目錄(2016版)). It clarifies eight industries in five major areas, which are further subdivided into 174 sub-directions under 40 key directions and nearly 4,000 subdivided products and services. Among which, integrated circuit chip products mainly include CPUs, MCUs, memories, digital signal processors, embedded CPUs, communication chips, digital TV chips, multimedia chips, information security and video surveillance chips, smart card chips, automotive electronic chips, industrial control chips, smart grid chips, micro-electro-mechanical system ("MEMS") sensor chips, power control circuits and semiconductor power electronic devices, optoelectronic hybrid integrated circuits, etc.

In July 2020, the State Council announced Several Policies to Promote the High-Quality Development of the IC Industry and the Software Sectors in the New Era (新時期促進集成電路產業和軟件產業高質量發展若干政策). In order to further optimize the development environment of the integrated circuit industry and software sectors, deepen international cooperation in the industry, and enhance the industrial innovation capability and development quality, a series of support policies were introduced thereunder in aspects such as fiscal and taxation, investment and financing, research and development, import and export, talents, intellectual property rights, market application and international cooperation.

In December 2021, the State Council issued the Notice of the State Council on Printing and Distributing the Plan for the Development of the Digital Economy under the "14th Five-Year Plan" (國務院關於印發「十四五」數字經濟發展規劃的通知), stating that during the "14th Five-Year Plan" period, the innovation capabilities of key technologies should be enhanced. It mandates the improvement of the basic R&D capabilities of digital technologies by targeting strategic and forward-looking fields such as sensors, quantum information, network communication, integrated circuits, key software, big data, artificial intelligence, blockchain and new materials, and giving full play to the advantages of China's socialist system, the new national system, and the super-large-scale market; the focus on breakthroughs in key core technologies in the fields of high-end chips, operating systems, industrial software, core algorithms and frameworks, and the strengthening of integrated research and development of general-purpose processors, cloud computing systems, and key software technologies by making up for key technical shortcomings as well as optimizing and innovating organizational methods such as "selecting the best candidates via open competition mechanism". It also mandates that the competitiveness of key segments in the industrial chain should be enhanced, and the supply chain systems of key industries such as 5G, integrated circuits, new energy vehicles, artificial intelligence, and industrial Internet should be improved.

In June 2023, the MIIT, the Ministry of Education, the Ministry of Science and Technology, the MOF and the SAMR issued the Notice on Printing and Distributing the Implementation Opinions on Improving the Reliability of the Manufacturing Industry (關於印發〈製造業可靠性提升實施意見〉的通知). This document stipulates that in the electronics industry, efforts should be focused on improving the reliability levels of electronic components such as SoC/MCU/GPU and other high-end general-purpose chips for electronic complete machine equipment, wide-bandgap semiconductor power devices such as gallium nitride/silicon carbide, precision optical components, optical communication devices, new sensitive elements and sensors, highly adaptable sensor modules, Beidou chips and devices, chip RCL (resistors, capacitors and inductors) components, high-speed connectors, high-end radio frequency devices, high-end electromechanical components and LED chips.

In December 2023, the NDRC issued the Catalog for the Guidance of Industrial Structure Adjustment (2024 Revision) (產業結構調整指導目錄(2024年本)), in which integrated circuits are categorized into the 28th category: Information Industry under Class I: Encouraged Industries. The Company's principal business is the R&D, design, and sales of display chips and sensing-control chips, which belong to the category under Class I: Encouraged Industries in this catalog.

LAWS AND REGULATIONS ON FOREIGN INVESTMENT

Company Laws and Regulations

The establishment, operation, and management of PRC entities are regulated by the Company Law of the People's Republic of China (中華人民共和國公司法) (the "PRC Company Law"), which was promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on December 29, 1993, last revised on December 29, 2023, and effective on July 1, 2024. Limited liability companies and joint stock limited companies established in the PRC shall be subject to the PRC Company Law. Unless otherwise provided by foreign investment laws, foreign-invested companies are also subject to the PRC Company Law.

Regulation and Access for Foreign Investment

The Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法), promulgated by the National People's Congress on March 15, 2019, and effective from January 1, 2020, clearly states that the state implements a management system of pre-entry national treatment and the negative list for foreign investment. Pre-entry national treatment refers to the treatment accorded to foreign investors and their investments at the stage of investment entry, which is no less favorable than the treatment accorded to domestic investors and their investments. The negative list refers to a special administrative measure for the entry of foreign investment in specific sectors designated by the state. The state accords national treatment to foreign investment outside the negative list. In addition, the Regulations on Implementing the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法實施條例) (the "Implementation Regulations"), promulgated by the State Council on December 26, 2019, and effective from January 1, 2020, further stipulates that the state shall formulate the catalog of encouraged industries for foreign investment based on the needs of national economic and social development, listing specific industries, fields, and regions which foreign investors are encouraged and guided to invest in.

On September 6, 2024, the NDRC and the MOFCOM jointly revised and issued the Special Management Measures (Negative List) for the Access of Foreign Investment (2024 Revision), effective from November 1, 2024, replacing the previous negative list. Domestic companies engaging in business sectors prohibited for foreign investment in the Negative List that issue shares for listing and trading overseas shall be subject to the examination and consent of the relevant competent state authorities. Foreign investors shall not participate in the company's operation and management, and their shareholding proportion shall be subject to relevant regulations on the management of domestic securities investment by foreign investors. In addition, the MOFCOM and the NDRC also jointly promulgated the Catalog of Encouraged Industries for Foreign Investment (2025 Revision) (鼓勵外商投資產業目錄(2025年版)) on December 15, 2025, which came into effect from February 1, 2026. According to the above list and catalog, investment in integrated circuit design does not fall within the restricted or prohibited industries for foreign investment.

Security Review of Foreign Investment

According to the Measures for the Security Review of Foreign Investment (外商投資安全審查辦法) promulgated by the NDRC and the MOFCOM on December 19, 2020, and effective from January 18, 2021, foreign investment that affects or may affect national security shall be subject to security review in accordance with the provisions of these measures. For foreign investment within the following scope, foreign investors or relevant domestic parties shall proactively report their investments to the Office of the Working Mechanism prior to: (1) investment in sectors related to national defense security such as military industry and military industry support, and investment in areas around military facilities and military industrial facilities; (2) investment in important agricultural products, important energy and resources, major equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies and other important sectors related to national security, and obtaining actual control of the investee.

REGULATIONS ON OVERSEAS INVESTMENT

According to the Measures for the Administration of Overseas Investment (境外投資管理辦法) issued by the MOFCOM on March 16, 2009, last revised on September 6, 2014, and effective from October 6, 2014, the MOFCOM and provincial-level commercial authorities shall implement record-filing and approval management respectively according to different circumstances of companies' overseas investments. Companies' overseas investments involving sensitive countries and regions or sensitive industries are subject to approval management. Overseas investments under other circumstances are subject to record-filing management. When an overseas company invested by a domestic company conducts further overseas investment, the domestic company shall report to the commercial authorities after completing the overseas legal procedures.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY

Patents

Pursuant to the Patent Law of the People's Republic of China (中華人民共和國專利法) (the "Patent Law") promulgated by the SCNPC on March 12, 1984, last amended on October 17, 2020, and effective from June 1, 2021, and the Implementation Rules of the Patent Law of the People's Republic of China (中華人民共和國專利法實施細則) promulgated by the State Council on June 15, 2001, last amended on December 11, 2023 and effective from January 20, 2024, patents are divided into three types, namely, invention, utility model and design patent. Invention patents are valid for 20 years, utility model patents are valid for ten years and design patents are valid for 15 years from the date of application. Following the grant of patent rights for an invention or a utility model, unless otherwise stipulated in the Patent Law, no entity or individual shall exploit the patent without licensing from the patentee. Following the grant of patent rights for a design patent, no entity or individual shall exploit the patent (i.e. they shall not manufacture, offer to sell, sell or import the design patented products for manufacturing and business purposes) without licensing from the patentee.

Trademarks

Pursuant to the Trademark Law of the People's Republic of China (中華人民共和國商標法) promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019 and effective from November 1, 2019, and the Implementation Rules of the Trademark Law of the People's Republic of

China (中華人民共和國商標法實施條例) promulgated by the State Council on August 3, 2002, last amended on April 29, 2014 and effective from May 1, 2014, trademarks approved and registered by the Trademark Office are registered trademarks. Trademark registrants enjoy exclusive rights to use their trademarks, which are protected by law. The registered trademark is valid for a term of ten years, commencing from the date of the registration. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term.

Copyright

Pursuant to the Copyright Law of the People's Republic of China (中華人民共和國著作權法) promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and effective from June 1, 2021, and the Implementing Rules of the Copyright Law of the People's Republic of China (中華人民共和國著作權法實施條例) promulgated by the State Council on August 2, 2002, last amended on January 30, 2013 and effective from March 1, 2013, Chinese citizens, legal persons or unincorporated organizations enjoy copyrights in their works, whether published or not, in accordance with the law. A work refers to intellectual achievements in the fields of literature, art, and science that are original and can be expressed in a certain form. A copyright holder shall enjoy several personal rights and property rights, including the right of publication, the right of authorship, the right of revision, etc.

Pursuant to the Regulation on Protection of Computer Software (計算機軟件保護條例) promulgated by the State Council on June 4, 1991, last amended on January 30, 2013 and effective from March 1, 2013, computer software refers to computer programs and related files. Chinese citizens, legal persons or other organizations enjoy copyright in the software they develop, whether the software is released publicly or not. Software copyright arises from the date on which the development of the software is completed. The protection period for software copyright of a legal person or other organization shall be 50 years, concluding on December 31 of the 50th year after the software's initial release. However, if the software has not been released within 50 years from the date on which the software development is completed, it shall no longer receive protection.

Integrated Circuit Layout Design

Pursuant to the Regulations on the Protection of Integrated Circuit Layout Designs (集成電路佈圖設計保護條例) (the "Protection Regulations") promulgated by the State Council on April 2, 2001, and effective from October 1, 2001, any layout-design created by a Chinese natural person, legal person or other organization shall be eligible for the exclusive right to the layout design in accordance with the Protection Regulations. The exclusive rights to the layout design arise upon registration with the intellectual property administration department of the State Council, and layout designs that have not been registered are not protected by the Protection Regulations. The protection period for the exclusive rights to the layout design is ten years, starting from the date of application for registration of the layout design or from the date of putting it into commercial use anywhere in the world for the first time, whichever is earlier. However, whether or not the design is registered or commercially used, it is no longer protected by the Protection Regulations 15 years after the date of completion of the design.

LAWS AND REGULATIONS ON NETWORK SECURITY AND DATA SECURITY

National Security Review

According to the National Security Law of the People's Republic of China (中華人民共和國國家安全法), which was promulgated and implemented by the SCNPC on July 1, 2015, national security refers to the state in which the state's political power, sovereignty, unity, territorial integrity, people's well-being, sustainable economic and social development, and other major national interests are relatively free from danger and not threatened by any internal or external forces, as well as the ability to ensure a continuous state of security. The state establishes the system and mechanisms for national security review and supervision, and conducts national security reviews on foreign investments, specific items and key technologies, network information technology products and services that affect or may affect national security, construction projects involving national security matters, and other major matters and activities to effectively prevent and resolve national security risks.

Cybersecurity

According to the latest Cybersecurity Law of the People's Republic of China (中華人民共和國網絡安全法) announced by the SCNPC on October 28, 2025, when constructing and operating networks or providing services through networks, operators shall, in accordance with laws, administrative regulations, and mandatory requirements of national standards, adopt technical and other necessary measures to ensure the security and stable operation of networks, effectively respond to cybersecurity incidents, prevent cyber-related illegal and criminal activities, and safeguard the integrity, confidentiality, and availability of network data.

Data Security

Pursuant to the Data Security Law of the People's Republic of China (中華人民共和國數據安全法) promulgated by the SCNPC on June 10, 2021, and effective from September 1, 2021, the state has established a data classification and grading protection system, under which data is protected according to its classification and grading. When conducting data processing activities, operators shall, in accordance with the provisions of laws and regulations, establish a sound data security management system for the entire process, organize data security education and training, and adopt corresponding technical measures and other necessary measures to safeguard data security. This law also stipulates a national security review system for data processing activities that affect or may affect national security.

REGULATIONS ON LEASING

Leased Properties

Pursuant to the Civil Code of the People's Republic of China (中華人民共和國民法典) effective from January 1, 2021, the owner of real estate or movable property shall lawfully enjoy the rights to possess, use, benefit from and dispose of such property. With the consent of the lessor, the lessee may sublease the leased premises to a third party. If the lessee subleases the premises, the lease contract concluded between the lessee and the lessor remains valid. If the lessee subleases the premises without the consent of the lessor, the lessor is entitled to terminate the lease. In addition, if the ownership of the leased premises changes during the period when the lessee is in possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected. Moreover, according to the Civil Code of the People's Republic of China, if a mortgaged property has been leased and the possession has been transferred before the establishment of the mortgage right, the original lease relationship shall not be affected by such mortgage right.

Pursuant to the Law of the People's Republic of China on Urban Real Estate Administration (中華人民共和國城市房地產管理法) promulgated by the SCNPC on July 5, 1994, last amended on August 26, 2019, and effective from January 1, 2020, for the lease of a house, the lessor and the lessee shall enter into a written lease contract, stipulating terms such as the lease term, the purpose of the lease, the rental price, the repair liability, as well as other rights and obligations of both parties, and register and file with the real estate administrative department.

In addition, according to the Measures for the Administration of Commercial Housing Leases (商品房屋租賃管理辦法) promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010, and effective from February 1, 2011, within 30 days after the conclusion of a housing lease contract, the parties to the lease shall register the contract with the competent construction (real estate) departments of the people's governments of the municipalities under the central government, cities, or counties where the leased property is located. If an individual or a unit violates the above-mentioned provisions, the competent construction (real estate) department of the people's governments of the municipalities under the central government, cities and counties shall order it to make corrections within a time limit; if an individual fails to make corrections upon the expiration of the time limit, a fine of less than RMB1,000 shall be imposed; if a unit fails to make corrections upon the expiration of the time limit, a fine ranging from RMB1,000 to RMB10,000 shall be imposed.

LAWS AND REGULATIONS ON IMPORT AND EXPORT TRADE

According to the Customs Law of the People's Republic of China (中華人民共和國海關法), which was promulgated by the SCNPC on January 22, 1987 and last revised on April 29, 2021, unless otherwise provided for, the consignors and consignees of import and export goods may handle customs declaration and tax payment procedures either by themselves, or by entrusting a customs declaration company to do so. The consignees or consignors of import and export goods, as well as customs declaration companies, shall register with the customs in accordance with the law when going through customs declaration procedures.

According to the Foreign Trade Law of the People's Republic of China (中華人民共和國對外貿易法), which was promulgated by the SCNPC on May 12, 1994 and last revised on December 30, 2022, and the Regulations of the People's Republic of China on the Administration of the Import and Export of Goods (中華人民共和國貨物進出口管理條例), which was promulgated by the State Council on December 10, 2001, last revised on March 10, 2024 and came into effect on May 1, 2024, no entity or individual may impose or maintain prohibitions or restrictions on the import and export of goods, unless clearly prohibited or restricted by laws and administrative regulations.

According to the Export Control Law of the People's Republic of China (中華人民共和國出口管制法), which was promulgated by the SCNPC on October 17, 2020 and came into effect on December 1, 2020, the state exercises control over the export of dual-use items, military products, nuclear materials, and other items such as goods, technologies, and services related to safeguarding national security and interests and fulfilling international obligations such as non-proliferation. The state export control management department, in accordance with the Export Control Law and relevant laws and administrative regulations, formulates and adjusts the export control list of controlled items together with relevant departments pursuant to the export control policy and in accordance with the prescribed procedures, and publishes it in a timely manner. When necessary to safeguard national security and interests and fulfill international obligations such as non-proliferation, upon approval by the State Council, or upon approval by the State Council and the Central Military Commission, the state export control management department may impose temporary control on goods, technologies, and services not on the export control list and make an announcement in relation thereto.

According to the Foreign Trade Law of the People's Republic of China (中華人民共和國對外貿易法), which was promulgated by the SCNPC on May 12, 1994 and last revised on December 30, 2022, the requirement for foreign trade operators engaging in the import and export of goods or technologies to register with the foreign trade department under the State Council or its authorized agencies has been cancelled.

LAWS AND REGULATIONS ON LABOR AND SOCIAL SECURITY

Labor Law and Labor Contract Law

According to the Labor Law of the People's Republic of China (中華人民共和國勞動法), which was last revised by the SCNPC on December 29, 2018, and 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 last revised by the SCNPC on December 28, 2012 and came into effect on July 1, 2013, an employment relationship shall be established by concluding an employment contract. Employers shall establish and improve labor rules and regulations in accordance with the law to ensure that employees enjoy their labor rights and fulfill their labor obligations.

According to the Interpretation (II) of the Supreme People's Court on 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)) (the "Interpretation II"), promulgated by the Supreme People's Court of the People's Republic of China on July 31, 2025, effective on September 1, 2025 where the employer and the worker agree, or the worker promises the employer, that there is no need to pay social insurance, the people's court shall determine that such agreement or promise is invalid.

Moreover, where the employer fails to pay social insurance in accordance with the law, and the worker requests to terminate the labor contract, and for the employer to pay economic compensation in accordance with item (3), Article 38 of the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法), the people's court shall support such a claim in accordance with the law. In such circumstances, even if there was a prior agreement exempting the employer from paying social insurance, the employer remains obligated to provide economic compensation to the worker (calculated as years of service multiplied by monthly salary).

Social Insurance and Housing Provident Fund

The Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法), which was last revised and implemented by the SCNPC on December 29, 2018, and the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), which was last revised and implemented by the State Council on March 24, 2019, have established social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance. Contributing entities must complete social insurance registration with the local social insurance agencies and participate in social insurance. Contributing entities and individuals shall contribute social insurance premiums on time and in full.

According to the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例) last revised and implemented by the State Council on March 24, 2019, employers shall register for housing provident fund contributions with the housing provident fund management center and complete the procedures for opening housing provident fund accounts for their employees. Employers shall contribute housing provident funds on time and in full.

LAWS AND REGULATIONS ON EQUITY INCENTIVE PLANS

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Domestic Individuals Participating 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) issued and implemented on February 15, 2012, directors, supervisors, senior management personnel and other employees of overseas listed companies who are PRC nationals or non-PRC nationals residing in China for more than one year and participate in equity incentive plans should register with SAFE through domestic agencies. In addition, overseas trustees must be entrusted to handle matters such as exercise of options, purchase and sale of corresponding shares or equity, and the corresponding transfer of funds. After the foreign exchange income obtained by individuals from participating in equity incentive plans is repatriated to China, the domestic agency should, based on relevant written applications, foreign exchange registration certificates for equity incentive plans, overseas transaction vouchers and other materials, instruct the bank to transfer the funds from the domestic special foreign exchange account of the domestic agency to the corresponding individual foreign exchange savings accounts. The funds shall be managed and used in accordance with the relevant regulations on individual foreign exchange savings accounts.

LAWS AND REGULATIONS ON OVERSEAS SECURITIES ISSUANCE AND LISTING OF DOMESTIC COMPANIES

Securities Laws and Regulations

The Securities Law of the People's Republic of China (中華人民共和國證券法) (the "Securities Law"), which was last revised by the SCNPC on December 28, 2019 and came into effect on March 1, 2020, comprehensively regulates the activities in the securities market within China, including the issuance and trading of securities, the acquisition of listed companies, information disclosure, investor protection, securities trading venues, securities companies, securities depository and clearing institutions, securities service institutions, the securities industry association, and securities regulatory authorities. The Securities Law further stipulates that domestic companies that directly or indirectly issue securities overseas or list their securities overseas shall comply with the relevant regulations of the State Council. For domestic companies whose shares are subscribed for and traded in foreign currencies, the specific measures shall be separately formulated by the State Council. The CSRC is the securities regulatory authority established by the State Council, responsible for supervising and managing the securities market in accordance with the laws, maintaining market order, and ensuring the legal operation of the market. Currently, the issuance and trading of H Shares are mainly regulated by laws, regulations, rules, and normative documents promulgated by the State Council and the CSRC.

Overseas Listing

On February 17, 2023, 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)

and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, domestic companies in China that issue shares overseas or list overseas, both directly or indirectly, should file a record with the CSRC within 3 business days after submission of the application for overseas issuance and listing. In any of the following circumstances, the overseas issuance and listing shall not be allowed: where laws, administrative regulations, or relevant national regulations clearly prohibit such listing for financing; where, as reviewed and determined by the relevant competent departments of the State Council in accordance with the law, overseas issuance and listing may endanger national security; where the domestic company or its controlling shareholder or actual controller has committed criminal offenses such as embezzlement, bribery, embezzlement of property, misappropriation of property, or disruption of the socialist market economic order in the past three years; where the domestic company is being investigated in accordance with the law for suspected crimes or major violations of laws and regulations and no conclusive opinion has yet been formed; where there are major disputes over the ownership of the equity held by the controlling shareholder or the shareholders controlled by the controlling shareholder or actual controller.

According to the revised Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies, in the course of overseas issuance and listing of domestic companies, domestic companies and the securities companies and securities service institutions providing corresponding services shall strictly comply with the relevant laws and regulations of the People's Republic of China and the requirements of the Provisions on Strengthening Confidentiality and Archives Administration, enhance the legal awareness of protecting state secrets and strengthening archive management, and establish and improve the confidentiality and archive management systems. Necessary measures shall be taken to perform the responsibility of confidentiality and archive management, and shall not disclose state secrets and the work secrets of state organs, or damage the national and public interests. When domestic companies provide, publicly disclose, or provide and publicly disclose through their overseas listing entities documents and materials involving state secrets or the work secrets of state organs to relevant securities companies, securities service institutions, overseas regulatory institutions, and other entities and individuals, application shall be made to the competent department with approval authority for approval in accordance with the law and file a record with the confidentiality administrative department at the same level. When domestic companies provide, publicly disclose, or provide and publicly disclose through their overseas listing entities other documents and materials that will have an adverse impact on national security or public interests after disclosure to relevant securities companies, securities service institutions, overseas regulatory institutions, and other entities and individuals, they shall strictly follow the corresponding procedures in accordance with relevant national regulations.

U.S. EXPORT CONTROL AND ECONOMIC SANCTIONS

The U.S. export control regime comprises several different licensing and enforcement agencies. The BIS administers the export licensing and enforcement functions of the dual-use export control system. The Export Controls Reform Act, enacted in 2018, provides broad legislative authority to the President to implement dual-use export controls, which is implemented by the Export Administration Regulations (15 C.F.R. 730 et seq.). The EAR sets forth licensing policy for goods and destinations, the applications process used by exporters.

Current U.S. sanctions target various foreign jurisdictions, governments, individuals, and other entities that are found to be the source of foreign policy or national security threats. Various agencies and departments in the executive branch, including the Departments of State, the Treasury, and Commerce administer sanctions. Other agencies also play a role in U.S. sanctions policy. For example, the Department of Defense ("DoD"), may impose military procurement restrictions (including with respect to certain foreign adversary countries) and maintains a list of Chinese military companies operating in the United States.

Items Subject to the EAR

The EAR governs the export, reexport, and transfer (in-country) of items "subject to the EAR." This includes items located in the United States, all U.S.-origin items wherever located, and certain foreign-made items that incorporate, are bundled with, or are commingled with controlled U.S.-origin content, where the U.S. content is present in any amount or exceeds applicable *de minimis* thresholds (typically 10% or 25%, depending on destination and content type).

In addition, foreign-produced items may be subject to the EAR under the Foreign Direct Product ("FDP") rules when they are a "direct product" of specified U.S.-origin technology or software, produced by a complete plant or major component of a plant that itself is a direct product of specified technology or software, or for specified foreign-produced items in § 734.9(e)(3)(i)(B)(2) of the EAR, contain an item produced by a complete plant or major component of a plant that itself is a "direct product" of specified technology or software.

BIS Entity List Restrictions

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

FN5 FDP Rule

A foreign-produced item is subject to the EAR if it meets the product scope and end-user scope in Entity List FDP Rule footnote 1, footnote 4 or footnote 5 provisions. Pursuant to EAR § 734.9(e)(3), the Entity List footnote 5 FDP Rule (FN5 FDP) applies if foreign-produced item meets both product and end-user conditions.

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

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

SME Foreign Direct Product Rule

Pursuant to EAR § 734.9(k), a foreign-produced commodity is subject to the EAR if it meets both the product scope and the destination scope specified in Semiconductor Manufacturing Equipment (SME) FDP Rule.

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

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

DoD NDAA §1260H List (CMC List)

The U.S. DoD maintains a separate list of Chinese military companies under Section 1260H of the National Defense Authorization Act for Fiscal Year 2021 ("1260H List" or "CMC List"). The 1260H List includes companies that the DoD determines to be "Chinese military companies" operating directly or indirectly in the United States or in support of the People's Liberation Army, including those involved in military-civil fusion activities. Amended in 2025, 1260H List mostly prohibits DoD from entering into, renewing, or extending contracts for goods, services, or technology with entities on the Chinese Military Company List or their affiliates. Contracts with companies controlled by these listed entities are also prohibited.

U.S. TARIFF POLICIES

The U.S. tariff regime generally consists of two components: (i) base most-favored-nation ("MFN") duty rates under the Harmonized Tariff Schedule of the United States ("HTSUS"), determined by product classification, and (ii) additional duties imposed pursuant to trade or national security measures.

Throughout 2025, the U.S. government announced several rounds of additional tariffs, including the reciprocal tariffs and the fentanyl-related tariffs, on imports from China under the International Emergency Economic Powers Act ("IEEPA"). These tariffs were ruled unlawful by the U.S. Supreme Court on February 20, 2026. In response, the U.S. President announced the termination of the reciprocal tariffs and the fentanyl-related tariffs. On the same day, citing the existence of fundamental international payments problems in the U.S., the President further announced that, effective from February 24, 2026, a temporary import surcharge of 10% ad valorem would be imposed on goods imported into the United States for a period of 150 days. Such surcharge applies to goods from all U.S. trading partners and to all imported products, subject to specified exceptions for certain categories of goods.

U.S. OUTBOUND INVESTMENT RULE

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

Under the OIR, U.S. persons (including U.S. citizens and permanent residents, entities organized under U.S. law (including their foreign branches), and any person in the U.S.) are subject to investment prohibitions and notification requirements for certain transactions in three sensitive technology categories (semiconductors and microelectronics, quantum information technologies, and artificial intelligence systems). These restrictions apply when a transaction involves a "Covered Foreign Person" — generally an entity in a country of concern engaged in a "Covered Activity." Covered transactions include activities such as acquiring equity interests (including contingent equity interests), providing debt financing, forming joint ventures, or investing as a limited partner in a fund, when such activities involve a "Covered Foreign Person." Certain exceptions are provided. Notably, investments in publicly traded securities that trade on a securities exchange are exempted, except to the extent that the investments would provide rights beyond minority shareholder protections. The U.S. Department of the Treasury further confirmed in its FAQs, on December 23, 2025, that absent additional facts, where a U.S. person acquires an equity interest in a covered foreign person and, at the time of such acquisition, the equity interest is publicly traded, such security falls within the definition of a "publicly traded security", regardless of when the relevant agreement is entered into.

In the semiconductors and microelectronics sector, prohibited activities include designing any integrated circuit that meets or exceeds the performance parameters specified in Export Control Classification Number (ECCN) 3A090.a in Supplement No. 1 to 15 CFR Part 774, or integrated circuits designed for operation at or below 4.5 Kelvin. Pursuant to 31 C.F.R. § 850.217, designing any integrated circuit that is not described in § 850.224(c) constitutes a notifiable activity.

On December 18, 2025, the U.S. President signed the "National Defense Authorization Act for Fiscal Year 2026" (S. 1071, the "NDAA 2026") into law. Pursuant to § 8521 of the NDAA 2026, the NDAA 2026 mandates the issuance of new regulations that will amend, supersede, or otherwise modify the existing OIR framework within a defined timeframe. This rulemaking process introduces a forward-looking risk that the scope of covered activities, the definitions of key terms, or the applicable prohibitions and notification requirements could be substantively altered.