OVERVIEW OF THE LAWS AND REGULATIONS IN THE PRC

Policies Related to Integrated Circuit Industry

On July 27, 2020, the State Council announced Several Policies to Promote the High-quality Development of the Integrated Circuit Industry and the Software Industry 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的若干政策》). Designed to further optimize the development environment of the integrated circuit industry and software industry, deepen international cooperation, and enhance the industrial innovation capability and development quality, the policies introduce a series of supporting policies covering fiscal and taxation, investment and financing, research and development, import and export, talent, intellectual property rights, market application and international cooperation. On August 22, 2025, the Ministry of Industry and Information Technology (the "**MIIT**") and the State Administration for Market Regulation promulgated the Action Plan for Stabilizing Growth of the Electronic Information Manufacturing Industry (2025-2026)(《電子信息製造業2025-2026年穩增長行動方案》), which emphasizes that sustained support will be provided for scientific and technological innovation in areas including integrated circuits, advanced computing, future displays, and new industrial control systems to improve the efficiency of collaborative research.

On December 25, 2025, the MIIT together with seven other authorities, including the National Development and Reform Commission and the State Administration for Market Regulation promulgated the Implementation Opinions on the "AI + Manufacturing" Special Action (《"人工智能+製造"專項行動實施意見》). Designed to promote the "industrialization of intelligent technologies" and accelerate the "intelligent transformation of industries", facilitate the deep integration of AI technology innovation and industrial innovation, as well as the "two-way empowerment" between AI technology and manufacturing applications, the Opinions set out several development targets for 2027 and introduces 21 specific measures across seven priority areas, such as foundational innovation, intelligent upgrading, product breakthroughs and international cooperation, providing a strategic roadmap for the intelligent and green transformation of the manufacturing industry.

Regulations on Foreign Investment

In March 2019, the Foreign Investment Law of PRC (《中華人民共和國外商投資法》)(the "**Foreign Investment Law**") was promulgated by the NPC and came into effect on January 1, 2020. The Foreign Investment Law, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition. According to the Foreign Investment Law, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list", and the State Council shall promulgate or approve a list of special administrative measures for access of foreign investments. To ensure the effective implementation of the Foreign Investment Law, the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementation Regulations**"), was promulgated by State Council in December 2019 and came into effect on January 1, 2020, which further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

The current industry entry clearance requirements governing investment activities in the PRC conducted by foreign investors are set out in two catalogs, namely the Special Management Measures for the Entry of Foreign Investment (Negative List) (2024 version) (《外商投資准入特別管理措施(負面

清單)(2024年版)》, which was jointly promulgated by the National Development and Reform Commission (the "**NDRC**") and the Ministry of Commerce (the "**MOFCOM**") on September 6, 2024 and came into effect on November 1, 2024, and the Encouraged Industry Catalog for Foreign Investment (2025 version) (《鼓勵外商投資產業目錄(2025年版)》, which was jointly promulgated by the NDRC and the MOFCOM on December 15, 2025 and came into effect on February 1, 2026. These two catalogs further classify businesses into three categories with regard to foreign investment: "encouraged," "restricted" and "prohibited." Industries not listed in these three categories are generally deemed as falling into the fourth category, that is "permitted" for foreign investment unless specifically restricted by other PRC laws and regulations. According to the Encouraged Industry Catalog for Foreign Investment (2025 version), integrated circuit design involved in our operation falls within the scope of industries encouraging foreign investment.

According to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), which was promulgated by the NDRC and the MOFCOM on December 19, 2020, and became effective on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof. A foreign investor or a party concerned in China shall take the initiative to make a declaration to the working mechanism office, which is set up in the NDRC and led by the NDRC and MOFCOM, prior to (i) making the investment in any important infrastructure, important transportation services; or (ii) obtaining actual control over the enterprises invested in other important fields that concern state security.

Regulations Related to Overseas Investment

On May 5, 2026, the State Council promulgated the Regulation on Overseas Investment (《國務院關於對外投資的規定》), which will take effect on July 1, 2026. According to the provisions, the state supports investors in conducting overseas investment activities on a market-oriented basis and actively participating in international cooperation and competition, and investors enjoy the right to make independent outbound investment decisions as prescribed by law, making their own decisions, bearing their own risks and taking sole responsibility for their own profits and losses. Where an investor is required by law to complete formalities such as approval or recordation, information reporting and cross-border funds registration in connection with its overseas investment activities, it shall comply with the relevant provisions, truthfully submit relevant materials, and cooperate with the regulatory inspections of the competent authorities.

According to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) which was issued by the MOFCOM on September 6, 2014 and became effective on October 6, 2014, the MOFCOM and the commerce departments at provincial levels shall subject the overseas investment of enterprises to recordation or confirmation management, depending on the actual circumstances of investment. Overseas investment involving any sensitive country or region, or any sensitive industry shall be subject to confirmation management. Overseas investment under other circumstances shall be subject to recordation management.

According to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) which was issued by the NDRC on December 26, 2017 and became effective on March 1, 2018, an enterprise in the territory of the PRC (the "**Investor**") shall, in overseas investment, undergo the formalities for the confirmation or recordation, among others, of an overseas investment project (the "**Project**"), report the relevant information, and cooperate in supervisory inspection. Sensitive projects conducted by investors directly or through overseas enterprises controlled by them shall be subject to approval management. Non-sensitive Projects directly conducted by Investors, namely, non-sensitive Projects involving Investors' direct contribution of assets or rights and interests or provision of financing or security, shall be subject to recordation management. The aforementioned sensitive Project means a Project involving a sensitive country or region or a sensitive industry. The NDRC promulgated the Catalogue 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 in detail.

Regulations on Import and Export Trade

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on May 12, 1994 and amended on December 30, 2022 and the Regulation 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》) promulgated by the State Council on December 10, 2001, last revised on March 10, 2024 and effective on May 1, 2024, since December 30, 2022, no registration of foreign trade operators is required. The PRC government allows the free import and export of goods and technologies, unless otherwise provided by laws and administrative regulations.

According to the Customs Law of the PRC (《中華人民共和國海關法》) (the "**Customs Law**"), which was reviewed and passed by the SCNPC on January 22, 1987, last amended on April 29, 2021 and became effective on the same date, the Customs of the PRC is the state's entry and exit customs supervision and administration authority. According to the Customs Law and other relevant laws and administrative regulations, the customs are responsible for the supervision of the transport vehicles, goods, freight items, postal items and other items entering into and departing from the PRC and collecting tariff and other duties and charges. All imported goods, throughout the period from arrival in the territory to the customs clearance, all exported goods, throughout the period from declaration to the customs to departure from the territory, and transit, transshipment and through goods, throughout the period from arrival in the territory to departure from the territory shall be subject to the supervision of the customs. Unless otherwise specified, the declaration of import and export goods and the payment of customs duties may be handled by the consignees or consignors of imported or exported goods or entrusted customs declaration enterprises. According to the Administrative Provisions on the Filing of Customs Declaration Entities of the PRC (《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 came into effect on January 1, 2022, the consignors or consignees of imported or exported goods or customs declaration enterprises that apply for filing shall obtain market entity qualifications. Also, consignors or consignees of imported or exported goods that apply for filing shall also complete the record-filing formalities for foreign trade business operators.

Regulations on Product Quality

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993, and most recently amended on December 29, 2018, the seller assumes responsibility for the repair, replacement, or return of the sold product under the following circumstances: (i) the product lacks the essential properties for its intended use without prior clear indication; (ii) the product does not meet the stated standards displayed on the product or its packaging; or (iii) the product does not match the quality as described in the product information or physical sample. In cases where a consumer incurs losses due to the purchased product, the seller is obligated to compensate for these losses. Under the Civil Code (《民法典》), manufacturers and commercial sellers bear liability for physical injury or property loss resulting from product defects. The affected party has the right to seek compensation from either the manufacturer or the commercial seller.

Regulations on Intellectual Property

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC, which was latest amended in October 2020 and became effective on June 1, 2021, and the Implementing Regulations 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, which was latest revised on December 11, 2023, and became effective from January 20, 2024, patent is divided into 3 categories, i.e., invention patent, design patent and utility model patent. The duration of invention patent right, design patent right and utility model patent right shall be 20 years, 15 years and 10 years, respectively, which are all calculated from the date of application. Implementation of a patent without the authorization of the patent holder shall constitute an infringement of patent rights, and shall be held liable for compensation to the patent holder and may be imposed a fine.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by SCNPC on August 23, 1982, most recently amended on April 23, 2019 and effective from November 1, 2019, and the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, latest amended on April 29, 2014 and effective from May 1, 2014, registered trademarks are granted a term of ten years which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license must be filed with the Trademark Office for publication, and the Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Conducts that shall constitute an infringement of the exclusive right to use a registered trademark include but not limited to using a trademark that is identical with or similar to a registered trademark on the same or similar goods without the permission of the trademark registrant, and the infringing party will be ordered to stop the infringement act immediately and may be imposed a fine. The infringing party may also be held liable for the right holder's damages, which will be equal to gains obtained by the infringing party or the losses suffered by the right holder because of the infringement, including reasonable expenses incurred by the right holder for stopping the infringement.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC, which was latest amended in November 2020, and its related Implementing Regulations, Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their works, which include, among others, original intellectual works in the fields of literature, art and science that can be expressed in a certain form. Copyright owners of protected works enjoy personal rights and property rights with respect to publication, authorship, alteration, integrity, reproduction, distribution, lease, exhibition, performance, projection, broadcasting, dissemination via information network, production, adaptation, translation, compilation, and other rights shall be enjoyed by the copyright owners.

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

Domain Names

According to the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017, the MIIT is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of "first apply, first register". A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

Regulations on Employment and Social Welfare

Employment

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》), (the "**Labor Law**"), which was promulgated by the SCNPC on July 5, 1994, last amended and came into effect on December 29, 2018), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), (the "**Labor Contract Law**"), which was promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008, and then amended on December 28, 2012 and became effective on July 1, 2013, and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), (the "**Implementation Rules of the Labor Contract Law**"), promulgated by the State Council on September 18, 2008 and came into effect on the same day. According to the aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure their employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abides by state standards and provide relevant education to their employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

Social Insurance

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and latest amended on December 29, 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and other welfare plans. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to rectify within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. Meanwhile, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on January 22, 1999 and came into effect on the same day, and latest amended and became effective on March 24, 2019, prescribes the details concerning the social insurance.

Housing Provident Fund

According to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and came into effect on the same day, and latest amended on March 24, 2019, any newly established entity shall make deposit registration at the designated administrative centers and open bank accounts for depositing employees' housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. Any entity that fails to make payment of housing provident funds within the time limit or has a shortfall in payment of housing provident funds will be ordered to make the payment or make up the shortfall within a prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

Regulations on Leasing

According to the Civil Code of the PRC, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession according to the terms of the lease contract, the validity of the lease contract shall not be affected.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located.

Regulations on Foreign Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (the "**SAFE**"), by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

The SAFE issued the Circular on Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》)(the "**SAFE Circular 19**") on March 30, 2015, and it became effective on June 1, 2015, which was partially repealed on December 30, 2019, and latest amended on March 23, 2023. The SAFE Circular 19 expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. In June 2016, SAFE further promulgated the Circular on the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"), which, among other things, amends certain provisions of SAFE Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

In October 2019, SAFE issued the Circular on Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**SAFE Circular 28**"), which cancels the restrictions on domestic equity investments by capital fund of non-investment foreign invested enterprises and allows non-investment foreign invested enterprises to use their capital funds to lawfully make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (the "**SAFE Circular 8**"), issued by SAFE in April 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction. The handling banks shall conduct spot checks afterwards according to the relevant requirements.

Regulations on Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) ("**EIT Law**"), which was promulgated by the SCNPC and was last amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council and was latest amended in December 2024, and implemented in January 2025, collectively referred to as the Enterprise Income Tax Law, a uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a reduced tax rate of 15% for Enterprise Income Tax.

Value-added Tax

On December 25, 2024, the SCNPC issued the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), or the VAT Law, which became effective from January 1, 2026. According to the VAT Law, any entities and individuals (including individual businesses) engaged in the sale of goods, services, intangible assets and immovables and importation of goods within the territory of the PRC are VAT payers and shall pay VAT in accordance with the VAT Law. Except for taxpayers' export of goods, the sale of services or intangible assets within the scope as prescribed by the State Council by domestic entities and individuals across national borders and other circumstances specified for by the State Council, the rate of VAT for sale of goods, labor services of processing, repair or replacement, or tangible movable property leasing services or import of goods is 13% unless otherwise specified, such as the rate of VAT for sale of agricultural products is 9%, and the rate of VAT for sale of transportation, postal, basic telecommunications, construction, or immovable leasing services, sale of immovables, or transfer of the rights to use land is 9%. In addition to the above circumstances, the rate of VAT for sale of services or intangible assets is 6%.

Taxation Relating to Dividends

According to the EIT Law and the Implementation Regulations for the EIT Law, a non-resident enterprise is subject to enterprise income tax for its PRC-sourced income (including equity investment gains such as dividends and bonuses paid by PRC enterprises), but shall be at a reduced tax rate of 10%, if such non-resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premises in the PRC. The aforementioned income tax which shall be paid by non-resident enterprises shall be withheld at source, with the payer of the income being the withholding agent. Such withholding tax shall be withheld by the withholding agent from the amount paid or amount due and payable upon each payment or payment due and payable.

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "**IIT Law**") promulgated by the SCNPC on September 10, 1980, last amended on August 31, 2018 and effective on January 1, 2019, and the Implementation Regulations for the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) (the "**Implementation Regulations for the IIT Law**") last amended by the State Council on December 18, 2018 and implemented on January 1, 2019, dividend income derived by individual investors from PRC domestic enterprises (whether the place of payment is in the PRC or not) shall be subject to individual income tax at a tax rate of 20% and shall be withheld by the PRC domestic enterprises, except for tax-exempt income stipulated in international conventions and agreements to which the PRC Government is a party, as well as other tax-exempt income and tax reduction circumstances stipulated by the State Council.

Taxation relating to Share Transfer

According to the EIT Law and the Implementation Regulations for the EIT Law, a non-resident enterprise is subject to enterprise income tax for its PRC-sourced income (including gains from transfers of equity investments in PRC enterprises), but shall be at a reduced tax rate of 10%, if such non-resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premises in the PRC. The aforementioned income tax which shall be paid by non-resident enterprises shall be withheld at source, with the payer of the income being the withholding agent. Such withholding tax shall be withheld by the withholding agent from the amount paid or amount due and payable upon each payment or payment due and payable.

According to the IIT Law and the Implementation Regulations for the IIT Law, gains on transfer of properties (including gains derived by individuals from the transfer of priced securities, equity, shares of property in a partnership enterprise) are subject to individual income tax at the rate of 20%. According to the Circular on Declaring that Individual Income Tax Continues to Be Exempted over Individual Gains from Transfer of Shares (Cai Shui Zi [1998] No. 61) (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》(財税字[1998]61號)) issued jointly by the Ministry of Finance (the "**MOF**") and the SAT on March 30, 1998 and implemented therefrom, from January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be exempted from individual income tax. However, the aforesaid provisions have not expressly stipulated whether to levy individual income tax on the transfer of shares of PRC resident enterprises listed on overseas securities exchanges by individuals.

Tax Policies for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

On October 31, 2014 and November 5, 2016, the MOF, the SAT, and the CSRC jointly promulgated the Circular on Tax Policies concerning the Pilot Program of the Shanghai-Hong Kong Stock Market Trading Interconnection Mechanism (《關於滬港股票市場交易互聯互通機制試點有關税收政策的通知》) and the Circular on Tax Policies concerning the Pilot Program of the Shenzhen-Hong Kong Stock Market Trading Interconnection Mechanism (《關於深港股票市場交易互聯互通機制試點有關税收政策的通知》), according to which, the gains from the transfer of shares and income from dividends and bonuses obtained by PRC enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to EIT in accordance with the law. Among which, income from dividends and bonuses received by PRC resident enterprises from continuously holding H Shares for at least 12 months is exempt from EIT by law. H Share companies are not required to withhold and pay taxes on the income from dividends and bonuses for PRC enterprise investors. The taxable amount shall be declared and paid by the enterprises themselves.

For dividends and bonuses received by individual PRC investors from investing in H Shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the H Share company shall apply to CSDC, and CSDC shall provide a list of individual PRC investors to the H Share company, which shall then withhold and pay individual income tax at a rate of 20%. Individual investors who have already paid withholding tax outside the PRC may apply to the competent tax authority of CSDC for a tax credit upon presentation of a valid tax reduction certificate. For income from dividends and bonuses obtained by Chinese Mainland securities investment funds from investing in stocks listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, individual income tax shall be levied according to the above provisions.

On December 4, 2019, the MOF, the SAT and the CSRC jointly issued the Announcement on the Continued Implementation of the Individual Income Tax Policies on the Interconnection Mechanisms for Transactions in Shanghai and Hong Kong Stock Markets and for Transactions in Shenzhen and Hong Kong Stock Markets (MOF Announcement 2019 No. 93) (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得税政策的公告》 (財政部公告2019年第93號)). It stipulates that for PRC individual investors, the transfer difference income derived from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and the trading of Hong Kong fund units through mutual recognition of funds will continue to be exempt from individual income tax on a temporary basis from December 5, 2019 to December 31, 2022.

In addition, according to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mutual Recognition of Funds between Chinese Mainland and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》(財政部公告2023年第23號)) (Announcement of the MOF No. 23 of 2023) jointly issued by the MOF, the SAT and the CSRC on August 21, 2023, the period for the implementation of the individual income tax exemption policy has been further extended to December 31, 2027.

Regulations on Securities and Overseas Listings

CSRC Filing

According to the Overseas Listing Trial Measures, promulgated by the CSRC on February 17, 2023, which became effective on March 31, 2023, where a PRC domestic company seeks to directly or indirectly offer and list securities in overseas markets, the issuer or the designated entity shall file the required documents with the CSRC within three business days after its application for initial public offering is submitted.

The Overseas Listing Trial Measures also stipulate the circumstances where the overseas offering and listing is explicitly prohibited, including: (i) financing through listing is expressly prohibited by laws, administrative regulations or relevant rules of the state; (ii) the overseas offering and listing may endanger national security as determined by the relevant competent department under the State Council after examination according to the law; (iii) a domestic enterprise or its controlling shareholder or actual controller has committed a criminal crime of corruption, bribery, embezzlement, misappropriation of property or disrupting the economic order of the socialist market in the last three years; (iv) domestic enterprise is under formal investigation according to the law for being suspected of any crime or major violation of laws and regulations, but no clear conclusions have been made; (v) there is a major dispute over ownership of the equity held by the controlling shareholder or a shareholder controlled by the controlling shareholder or the actual controller.

CSRC Requirements on Confidentiality and Archives Administration

On February 24, 2023, the CSRC, the MOF, National Administration of State Secrets Protection and National Archives Administration of China jointly released the revised Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》, the "**Archives Administration Provisions**"), which came into effect on March 31, 2023. The Archives Administration Provisions shall apply to both (i) the PRC companies seeking direct listing on the overseas stock exchange and (ii) the PRC operating entities of a foreign company seeking listing on the overseas stock exchange that qualifies as an "indirect listing" (above (i) and (ii) collectively, "**Domestic Companies**").

According to the Archives Administration Provisions, the Domestic Companies shall establish and implement a solid confidentiality and archives administration system. If a Domestic Company decides to disclose any documents or materials containing state secrets, work secrets of governmental agencies or any information that may be detrimental to national security or public interest once leaked, proper governmental approval procedures should be followed. After obtaining the governmental clearance, the Domestic Company disclosing such information, as one party, and the securities companies and securities services providers receiving such information, as the other party, shall also enter into non-disclosure agreements, setting forth the confidentiality obligations of the securities companies and securities services providers. When providing the above information to the securities companies and securities services providers retained by them, the Domestic Companies are also required to issue a written statement outlining their compliance with the relevant regulatory requirements and procedures.

In terms of providing accounting archives or copies thereof to any other entities or persons (such as securities companies, securities services providers and overseas regulators), the Archives Administration Provisions stipulate that relevant governmental procedures should be followed.

Any violation of the above regulations may subject the Domestic Companies to regulatory penalties under the PRC Law of Safeguarding State Secrets (《中華人民共和國保守國家秘密法》) and the PRC Law of Archives (《中華人民共和國檔案法》) and even criminal liabilities to the extent applicable.

H Share Full Circulation

"Full circulation" refers to the listing and circulation of the domestic unlisted shares of an H-share listed company on the Stock Exchange of Hong Kong Limited, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, the CSRC issued the Guidelines on the Application of "Full Circulation" of Domestic Unlisted Shares by H-share Companies (Announcement of the CSRC [2019] No. 22) (《H股公司境內未上市股份申請"全流通"業務指引》) (the "**Guidelines on 'Full Circulation'**") and last amended on August 10, 2023. According to the Guidelines on "Full Circulation", provided that the requirements set out in the relevant laws and regulations and in the policies for state-owned assets management, foreign investments and industry regulation are satisfied, the shareholders of domestic unlisted shares may decide at their own discretion through negotiation the amount and proportion of shares applying for circulation, and entrust the H-share Listed Company to submit the application for "full circulation." The H-share Listed Company shall apply to the CSRC for "full circulation" according to the administrative licensing procedures required for the "examination and approval of overseas public offering and listing of shares (including additional issuance) by joint stock companies." Upon approval of the application for "full circulation" by the CSRC, the H-share Listed Company shall submit a report to the CSRC within 15 days after completion of the registration of shares involved in the application with the CSDC. According to the Overseas Listing Trial Measures, for a domestic company seeking direct overseas listing, the shareholders holding the domestic unlisted shares of such domestic company who apply for the conversion of the domestic unlisted shares into overseas listed shares shall comply with the relevant provisions of the CSRC and entrust such domestic company to file with the CSRC.

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

In order to fully promote the reform of H-share "full circulation" and specify the business arrangements and procedures for registration, custody, settlement and delivery of relevant shares, the CSDC Shenzhen Branch issued the Guidance for H-share "Full Circulation" (《中國證券登記結算有限責任公司深圳分公司H股"全流通"業務指南》) on September 20, 2024, last amended on June 27, 2025, which specified the business preparation, account arrangements, cross-border share transfer registration and overseas centralized custody, etc.

DATA SECURITY, CYBERSECURITY AND PRIVACY PROTECTION REGULATIONS

Cybersecurity and Data Security

China has enacted various laws and regulations with respect to cybersecurity, data security, and protection of personal information in ensuring law-based cyberspace governance.

According to the PRC National Security Law (《中華人民共和國國家安全法》) issued by the SCNPC on February 22, 1993 and latest revised on July 1, 2015, the state shall establish systems and mechanisms for national security review and supervision, conduct national security review on key technology, network information technology products and services related to state security to prevent and mitigate state security risks in an effective way.

The Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), effective on June 1, 2017 and amended on October 28, 2025 (effective January 1, 2026), prohibits stealing or illegally trading personal information. Those who construct or operate networks or provide services through networks shall take technical and other necessary measures to ensure cybersecurity and stable operation, effectively respond to cybersecurity incidents, prevent cyber-related illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. In the event of a violation of the relevant provisions and requirements under the Cybersecurity Law, individuals or organizations may face penalties including warnings, fines, confiscation of illegal gains, revocation of licenses, or closure of websites, and may be subject to criminal liability in serious circumstances.

Pursuant to the Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC on June 10, 2021, and came into effect on September 1, 2021, entities carrying out data processing activities shall comply with laws and administrative regulations, respect social morality and ethics, adhere to business and professional ethics, act in good faith, fulfil data security protection obligations, assume social responsibility, and shall not endanger national security or public interests, nor harm the lawful rights and interests of individuals or organizations. Any organization or individual collecting data shall employ lawful and proper means and shall not acquire data through theft or other illegal methods.

On December 28, 2021, the Cyberspace Administration of China (the "**CAC**") and 12 other PRC governmental authorities jointly published the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on February 15, 2022. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that purchase network products and services and network platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. According to the Cybersecurity Review Measures, before purchasing any network products or services, a critical information infrastructure operator shall assess potential national security risks that may arise from the launch or use of such products or services, and apply for a cybersecurity review with the cybersecurity review office of CAC if national security will or may be affected. In addition, network platform operators who possess personal information of more than one million users and intend to be listed at a foreign stock exchange must apply for the cybersecurity review. Our PRC Legal Advisor made a telephonic consultation on a named basis with the China Cybersecurity Review, Certification and Market Regulation Big Data Center (the "**CCRC**"), which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotline. The CCRC confirmed that the term "**[REDACTED]** in a foreign country" under the Cybersecurity Review Measures does not apply to **[REDACTED]** in Hong Kong, and thus the obligation to proactively apply for cybersecurity review by an entity seeking **[REDACTED]** in a foreign country shall not be applicable to the proposed **[REDACTED]**.

On July 7, 2022, the CAC issued the Measures for the Security Assessment of Cross-border Transfer of Data (《數據出境安全評估辦法》), which became effective on September 1, 2022. The Provisions on Promoting and Regulating Cross-border Data Flow (《促進和規範數據跨境流動規定》), took effect on March 22, 2024, stipulate that non-critical information infrastructure operator data processors transferring non-sensitive personal information of 100,000 to less than 1 million individuals, or sensitive personal information of fewer than 10,000 individuals cumulatively since January 1 of the current year, must conclude a standard contract or obtain personal information protection certification. However, exemptions from security assessments, standard contracts, and certifications are granted for transfers necessary for: (i) concluding or performing contracts (e.g., cross-border e-commerce or payments); (ii) cross-border HR management; (iii) protecting life, health, and property in emergencies; or (iv) non-critical information infrastructure operator transferring non-sensitive personal information of fewer than 100,000 individuals annually.

The Regulations on Network Data Security Management (《網絡數據安全管理條例》), issued by the State Council on September 24, 2024 and became effective on January 1, 2025, require that network data processors shall, in accordance with laws, regulations and mandatory national standards, and on the basis of classified cybersecurity protection, strengthen the protection of network data security, establish and optimize a network data security management system, and take technical measures to protect network data and prevent criminal activities targeting network data.

Furthermore, the Regulations include, but are not limited to, the following provisions: (i) The Data Security Regulations provide specific operational guidelines for the provisions on notification, consent, and individual rights in the Personal Information Protection Law; (ii) The Data Security Regulations stipulate the requirements for establishing an important data catalog and specify the responsibility of network data processors to identify and report important data; (iii) The Data Security Regulations optimize cross-border data security management norms and clarify the conditions under which network data processors may provide personal information abroad in accordance with international treaties or agreements; (iv) The Data Security Regulations set out the network data security protection requirements for network platform service providers, third-party product and service providers, and other relevant entities.

Privacy Protection

On May 28, 2020, the NPC adopted the PRC Civil Code (《中華人民共和國民法典》), which came into effect on January 1, 2021. The Civil Code includes a standalone Part on Personality Rights and reiterates that the personal information of natural persons shall be protected by law. On August 20, 2021, the SCNPC issued the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》). The PRC Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. The PRC Personal Information Protection Law stipulates that a personal information processor should inform the purpose and method of processing to the individuals, and provide the circumstances under which a personal information processor could process personal information, which include, but are not limited to, where the consent of the individual concerned is obtained and where it is necessary for the conclusion or performance of a contract to which the individual is a contractual party.

On February 12, 2025, the CAC issued the Administrative Measures for the Compliance Audit of Personal Information Protection (《個人信息保護合規審計管理辦法》), which took effect on May 1, 2025. According to the Administrative Measures for the Compliance Audit of Personal Information Protection, the term "compliance audit of personal information protection" refers to supervisory activities that review and evaluate whether the personal information processing activities of personal information processors comply with laws and administrative regulations. Personal information processors that process the personal information of more than 10 million individuals shall carry out the compliance audit of personal information protection at least every two years.