LAWS AND REGULATIONS IN THE PRC

We are subject to various PRC laws and regulations that may impact both our business operations and the **[REDACTED]**.

Laws and Regulations on Corporation

The Company Law of the PRC (《中華人民共和國公司法》, the "Company Law") was promulgated by the Standing Committee of the National People's Congress ("**SCNPC**") on December 29, 1993 and became effective on July 1, 1994, and was subsequently amended and became effective on October 26, 2018, and was most recently amended on December 29, 2023 and became effective on July 1, 2024. Pursuant to the Company Law, companies are generally divided into two categories: limited liability companies and joint stock limited companies. The Company Law also applies to foreign-invested joint stock limited companies.

Pursuant to the Guidelines on the Application of Regulatory Rules — No. 1 for Overseas Offering and Listing (《監管規則適用指引—境外發行上市類第1號》), which was promulgated by CSRC on February 17, 2023, domestic companies that directly offer and list securities in overseas markets shall formulate their articles of association in accordance with the Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》) promulgated by the CSRC, so as to standardize corporate governance.

Laws, Regulations and Policies Relating to the Optical Communication Industry

According to the Radio Regulations of the PRC (《中華人民共和國無線電管理條例》), which were promulgated by the State Council and the Central Military Commission on September 11, 1993, amended on November 11, 2016 and came into effect on December 1, 2016, the National Radio Administration authority is responsible for the nationwide administration of radio operations. The production or importation of radio transmission equipment for domestic sale and use shall comply with product quality laws, regulations, national standards and the national provisions on radio administration. Except for micro-power short-range radio transmission equipment, the production or importation of other radio transmission equipment for domestic sale and use shall be subject to an application for type approval to the national radio administration authority.

According to Administrative Measures for the Access of Telecommunications Equipment to the Network (《電信設備進網管理辦法》), which was lasted amended by the Ministry of Industry and Information Technology (the "MIIT") on January 18, 2024, the State applies a network access licensing system to telecommunications terminal equipment, radio communication equipment and telecommunications equipment involving interconnection of public telecommunications networks. The telecommunications equipment subject to the network access license system must obtain the network access license issued by the MIIT. Equipment without access to the network license is prohibited from accessing the public telecommunications network for use and being sold within the country.

On December 17, 2024, the General Office of the MIIT issued the Implementation Plan for Creating an Upgraded Version of the "5G + Industrial Internet" 512 Project (《打造"5G+工業互聯網"512工程升級版實施方案》), which proposes to pilot the construction of industrial 5G independent private networks. The plan calls for accelerating the exploration and practice of industrial 5G independent private networks with respect to facility construction, application innovation and business models, refining the relevant construction specifications and standards, and strengthening industrial supply. It further requires strengthening the research and development of key network products, such as industrial 5G gateways, integrated private network equipment, industry-customised base stations and lightweight core networks, accelerating the convergence of 5G and industrial equipment, building a portfolio of "small, fast, lightweight and targeted" industrial 5G terminal devices, and enhancing product supply. In addition, the plan supports the research and development of products including TSN equipment, industrial computing equipment, virtualised controllers and information models, promotes the development of intelligent devices embedded with 5G chips and modules, and facilitates the industrialisation of new-type industrial network products.

On December 31, 2024, the National Development and Reform Commission, the National Data Administration and the MIIT issued the Guidelines on the Construction of National Data Infrastructure (《國家數據基礎設施建設指引》), which proposes to promote 400G/800G high-bandwidth all-optical connections between national hub nodes and demand locations, guide telecommunications operators to improve the efficiency of "public transmission channels", and advance the deep integration of computing power and networks.

On August 22, 2025, the MIIT and the State Administration for Market Regulation issued the Action Plan for Stable Growth of the Electronic Information Manufacturing Industry for 2025–2026 (《電子信息製造業2025-2026年穩增長行動方案》), which aims to enhance the resilience and security of the industrial chain and supply chain, maintain the economic operation of the electronic information manufacturing industry within a reasonable range, and provide strong support for the stable growth of the industrial economy. The measures to be implemented under the plan include supporting the construction of major projects, promoting counter-cyclical upgrading and transformation of the industry, and facilitating green and intelligent upgrades. On March 7, 2025, the MIIT and the Standardization Administration of the PRC issued the Guidelines for the Construction of the National Intelligent Manufacturing Standard System (2024 Edition) (《國家智能製造標準體系建設指南(2024版)》), proposing that by 2026, more than 100 national and industry standards will be formulated or revised, and an intelligent manufacturing standard system that accommodates the development of new-type industrialization will be established, with a focus on exploring new methods for standard formulation, consolidating successful experience and innovation achievements, formulating standards for typical scenario-based system solutions, guiding enterprises to apply standards in practice, building enterprise-level intelligent manufacturing standard systems, and promoting the high-quality development of intelligent manufacturing.

Laws and Regulations on Product Quality

In accordance with the Product Quality Law of the PRC (《中華人民共和國產品質量法》), which was promulgated by the SCNPC on February 22, 1993 and most recently amended on December 29, 2018, a seller assumes responsibility for the repair, replacement or return of the sold product under any of the following circumstances: (i) the product lacks the essential performance properties for its intended use without a clear indication in advance; (ii) the product fails to conform to the product standards indicated on the product or its packaging; or (iii) the product fails to conform to the quality indicated in the product specifications or physical samples. Where a consumer incurs losses due to the purchased product, the seller shall be liable for compensation for such losses.

Laws and Regulations on Production Safety, Environmental Protection and Fire Safety

Production Safety

According to the Law of the PRC on Work Safety (《中華人民共和國安全生產法》, the "Work Safety Law"), which was promulgated by the SCNPC, most recently amended on June 10, 2021 and came into effect on September 1, 2021, entities engaged in production and business activities within the PRC shall comply with the Work Safety Law and other laws and regulations relating to work safety, and strengthen work safety management. Entities shall establish and improve a work safety responsibility system and work safety rules, increase efforts to ensure the input of funds, materials, technology and personnel in work safety, improve work safety conditions, strengthen the standardization of work safety, raise work safety levels, and ensure work safety.

Environmental Protection

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》, the "Environmental Protection Law"), which was promulgated by SCNPC on April 24, 2014 and became effective on January 1, 2015, enterprises, institutions and other manufacturing operators shall prevent and reduce environmental pollution and ecological damage, and shall be liable for damages caused by them pursuant to the law. According to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment.

On October 28, 2002, the SCNPC promulgated the Environmental Impact Assessment Law of PRC (《中華人民共和國環境影響評價法》, the "Environmental Impact Assessment Law"), which was latest amended on December 29, 2018. According to the Environmental Impact Assessment Law, the State Council implemented the environmental impact assessment to classify construction projects according to the impact of the construction projects on the environment.

Pursuant to the Interim Measures for Environmental Protection Acceptance of Completed Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) effective as of November 20, 2017 and the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), which was revised on July 16, 2017 and implemented on October 1, 2017, after the completion of a construction project for which an environmental impact report or an environmental impact report form is required, the construction entity shall, according to standards and procedures prescribed by the environmental protection administrative authorities, conduct environmental protection completion acceptance check and compile an acceptance check report. A construction project for which an environmental impact report or an environmental impact report form is required shall not be put into production or use until the environmental protection completion acceptance check has been passed. According to the Environmental Impact Assessment Law, where a construction entity commenced construction prior to submission of the environmental impact report and environmental impact statement of the construction project or prior to resubmission of the environmental impact report and environmental impact statement, the ecological environment authorities at the county level or above shall order it to stop the construction, impose a fine of not less than 1% but not more than 5% of the overall investment amount for such construction project according to the seriousness and consequences of such violations, and order it to restore to the original status; and the person-in-charge and responsible personnel of the construction project shall be liable to administrative sanctions in accordance with laws.

Pollutant Discharge Permit

Pursuant to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), which was promulgated by the SCNPC in 1995 and most recently amended on April 29, 2020, entities generating hazardous waste shall store, utilize and dispose of hazardous waste in accordance with the relevant requirements of the State and environmental protection standards, and shall not dump or pile up hazardous waste without authorization. Furthermore, it is prohibited to entrust hazardous waste to entities without a permit for disposal; otherwise, the competent ecological and environmental authorities shall order the entity to make rectification, impose fines, confiscate illegal gains, and, in serious circumstances, order it to suspend business or close down upon the approval of the relevant government authorities.

Pursuant to the Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》), which was promulgated on January 24, 2021, and the Measures for the Administration of Pollutant Discharge Permitting (《排污許可管理辦法》), which were promulgated on April 1, 2024 and came into effect on July 1, 2024, the administration of pollutant discharge units is divided into key management and simplified management based on the amount of pollutants discharged and the impact on the environment. The review, decision-making and information disclosure of pollutant discharge permits shall be handled through the national pollutant discharge permit management information platform. A pollutant discharge permit is valid for five years, and the discharging unit shall apply for renewal 60 days prior to expiry if it intends to continue discharging pollutants. The competent environmental protection authorities have the power to order corrections, restrict production, suspend production for rectification, suspend business or close down, and impose fines. If a crime is constituted, criminal liability shall be pursued in accordance with the law. Enterprises and other producers included in the Classification Administration List of Pollutant Discharge Permits for Fixed Pollution Sources (《固定污染源排污許可分類管理名錄》) shall apply for and obtain a pollutant discharge permit within the prescribed time limit, and shall not discharge pollutants without a pollutant discharge permit.

Ten laws related to environmental protection and pollution prevention and control, including the Environmental Protection Law and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste will be replaced by the Ecological Environment Code of the PRC(《中華人民共和國生態環境法典》), which was adopted by the National People’s Congress of the PRC and will take effect on August 15, 2026.

Fire Safety

According to the Fire Protection Law of the PRC (《中華人民共和國消防法》, the “Fire Protection Law”), which was promulgated by the SCNPC on April 29, 1998 and most recently amended on April 29, 2021, the fire protection design and construction of a construction project must conform to the national technical standards for fire protection of construction projects. For construction projects that require fire protection design in accordance with such national technical standards, a fire protection design review and acceptance system shall be implemented. Upon completion of a construction project that is required to undergo fire control acceptance inspection by the competent department of housing and urban-rural development under the State Council, the construction entity shall apply to such department for fire control acceptance inspection. For construction projects other than those specified in the preceding paragraph, the construction entity shall, after acceptance, report to the competent department of housing and urban-rural development for filing, and the competent department shall conduct random spot checks. Construction projects that are subject to fire control acceptance inspection in accordance with the law shall not be put into use without, or failing to pass, fire control acceptance inspection. Other construction projects that fail to pass the spot checks as required by law shall cease to be used.

Laws and Regulations on Leasing

According to the PRC Civil Code, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. 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 in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected. Moreover, pursuant to the PRC Civil Code, if the mortgaged property has been leased and transferred for occupation prior to the establishment of the mortgage right, the original tenancy shall not be affected by such mortgage right.

Laws and Regulations on Overseas Investment

The Administrative Measures for Outbound Investment Management (《境外投資管理辦法》) was promulgated by the Ministry of Commerce (the "MOFCOM") on September 6, 2014 and came into effect on October 6, 2014. As defined thereunder, overseas investment refers to the activities whereby enterprises legally incorporated in the PRC establish non-financial enterprises in foreign countries or acquire the ownership, control and operation management rights of existing non-financial enterprises in foreign countries through incorporation, merger and acquisition or other means. Overseas investments involving sensitive countries and regions or sensitive industries shall be subject to the approval of the competent authorities. Other overseas investments shall be subject to filing administration. Local enterprises shall file with the provincial commercial administration authorities where they are located. Qualified enterprises will be placed on record and granted an Overseas Investment Certificate for Enterprise by the relevant provincial commercial administration authorities.

The Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) was promulgated by the National Development and Reform Commission (the "NDRC") on December 26, 2017 and came into effect on March 1, 2018. As defined thereunder, overseas investment refers to any investment activities in which a domestic enterprise of the PRC directly, or through its controlled overseas enterprise, obtains ownership, control, operation and management rights and other relevant interests by way of contributing assets and/or interests or providing financing and/or guarantee. To conduct overseas investment, certain procedures shall be complied with, including approval or record-filing of overseas investment projects, reporting of relevant information and cooperation with supervision and inspection.

Laws and Regulations on Exportation of Goods

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》, the "Foreign Trade Law"), which was promulgated by the SCNPC on May 12, 1994 and most recently amended on December 27, 2025 and came into effect on March 1, 2026, 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. Prior to December 30, 2022, a foreign trade operator engaged in the import and export of goods or technologies was required to complete filing and registration with the foreign trade authority under the State Council or its authorized agencies, unless otherwise provided by laws, administrative regulations or requirements of the foreign trade authority under the State Council. Where a foreign trade operator failed to do so, Customs shall not process the formalities for declaration and clearance of the goods imported or exported by such operator.

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》, the "Customs Law"), which was promulgated by the SCNPC on January 22, 1987 and most recently amended on April 29, 2021 with effect from the same date, the Customs of the PRC is the entry and exit customs supervision and administration authority of the PRC. In accordance with the relevant laws and administrative regulations, the Customs supervises the means of transport, goods, luggage, postal articles and other articles entering and leaving the country, collects customs duties and other taxes and fees, prevents and counters smuggling, compiles customs statistics and handles other customs operations.

Pursuant to the Regulations of the Customs of the PRC on the Administration of Recordation of Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), which were promulgated by the General Administration of Customs on November 19, 2021 and came into effect on January 1, 2022, customs declaration entities are defined as consignees and consignors of import and export goods, as well as customs declaration enterprises registered with customs. To apply for recordation, consignees, consignors and customs declaration enterprises shall first obtain market entity qualification. The recordation of customs declaration entities is valid indefinitely, whereas temporary recordation is valid for one year and may be renewed upon expiry by reapplication.

Laws and Regulations on Data Security and Privacy Protection

Data Security

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》, the "Cybersecurity Law") and became effective as of June 1, 2017, as last amended on October 28, 2025, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. According to the Cybersecurity Law, network operators shall comply with laws and regulations and fulfil their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to the mandatory requirements of laws, regulations and national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties.

On June 10, 2021, the SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》, the "Data Security Law") which became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility.

On July 7, 2022, the CAC has promulgated the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), which takes effect on September 1, 2022, and requires that any data processor providing important data collected and generated during operations within the territory of the PRC or providing personal information that should be subject to security assessment according to the relevant law to an overseas recipient shall apply for cross-border data transfer security assessment.

Privacy Protection

Pursuant to the Civil Code, personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide, or make public personal information of others. On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of PRC (《中華人民共和國個人信息保護法》, the "Personal Information Protection Law") and became effective on November 1, 2021. Pursuant to the Personal Information Protection Law, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors should truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language, and to prevent unauthorised access and personal information leakage, tampering, and loss.

Laws and Regulations Relating to Anti-Unfair Competition and Anti-Monopoly

Anti-Unfair Competition

Pursuant to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》, the "Anti-Unfair Competition Law"), which was promulgated by the SCNPC on September 2, 1993, most recently amended on June 27, 2025 and came into effect on October 15, 2025, unfair competition refers to any conduct of an operator in its production and business activities that violates the provisions set forth therein, disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers. Operators shall, in the course of production and business activities, abide by the principles of voluntariness, equality, fairness, integrity, as well as the law and business ethics.

Anti-Monopoly

The Provisions on the Prohibition of Monopoly Agreements (《禁止壟斷協議規定》), which were issued by the State Administration for Market Regulation (the "SAMR") on March 10, 2023 and amended on December 9, 2025, further provide for the prevention and prohibition of matters relating to monopoly agreements, and replaced certain anti-monopoly rules and regulations previously issued by the SAMR. The Provisions on the Prohibition of Abuse of Dominant Market Position (《禁止濫用市場支配地位行為規定》), which were issued by the SAMR on March 10, 2023 and came into effect on April 15, 2023, further prevent and curb abuse of dominant market position. The Provisions on the Review of Concentrations of Undertakings (《經營者集中審查規定》), which were issued by the SAMR on March 10, 2023 and came into effect on April 15, 2023, further provide for matters such as the declaration threshold and review of concentrations of undertakings and the investigation of illegal implementation of concentrations of undertakings.

Laws and Regulations on Intellectual Property

Patent

In accordance with the Patent Law of the PRC (《中華人民共和國專利法》, the "Patent Law"), which was promulgated by the SCNPC, most recently amended in October 17, 2020 and became effective on June 1, 2021, and its Implementing Regulations, patents are divided into three categories, namely, invention patents, design patents and utility model patents. The duration of an invention patent right, a design patent right and a utility model patent right shall be 20 years, 15 years and 10 years, respectively, each calculated from the date of application. Exploitation of a patent without the authorization of the patent holder shall constitute an infringement of patent rights, and the infringer shall be held liable for compensation to the patent holder and may be subject to a fine, or even criminal liability.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》, the "Trademark Law"), which was promulgated by the SCNPC on August 23, 1982, most recently amended on April 23, 2019 and came into effect on November 1, 2019, and the Implementing Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which were promulgated by the State Council on August 3, 2002, subsequently amended on April 29, 2014 and came into effect on May 1, 2014, registered trademarks are granted a term of ten years, which may be renewed for consecutive ten-year periods upon application by the trademark owner.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》, the "Copyright Law"), which was promulgated by the SCNPC and most recently amended in November 11, 2020, and its Implementing Regulations, Chinese citizens, legal persons or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners of protected works enjoy personal rights and property rights, including rights of publication, authorship, alteration, integrity, reproduction, distribution, rental, exhibition, performance, projection, broadcasting, dissemination via information network, production, adaptation, translation and compilation.

Domain Names

The Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) were promulgated by the MIIT in 2017, which adopt the "first to file" rule for allocating domain names to applicants, and provide that the MIIT shall supervise domain name services nationwide and publicize the PRC domain name system. Upon completion of the registration procedures, the applicant shall become the holder of the relevant domain name.

Laws and Regulations on Employment and Social Welfare

Employment

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

In December 2012, the Labor Contract Law was amended to impose more stringent requirements on the use of employees of temporary agencies, commonly referred to in China as "dispatched workers". According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》), which were promulgated by the Ministry of Human Resources and Social Security and came into effect on March 1, 2014, the number of dispatched workers hired by an employer shall not exceed 10% of the total number of its employees.

Social Insurance

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

The Social Insurance Law of the PRC (《中華人民共和國社會保險法》, the "Social Insurance Law"), which was promulgated by the SCNPC on October 28, 2010 and most recently amended on December 29, 2018, the Regulations on Work-Related Injury Insurance (《工傷保險條例》), which became effective on January 1, 2004 and were amended on December 20, 2010, the Interim Measures on Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), which became effective on January 1, 1995, and the Regulations on Unemployment Insurance (《失業保險條例》), which became effective on January 22, 1999, have established social insurance systems covering basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and set out in detail the legal obligations and liabilities of employers who fail to comply with the relevant laws and regulations on social insurance.

According to the Social Insurance Law and the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which were promulgated by the State Council on January 22, 1999, most recently amended on March 24, 2019 and became effective on the same date, enterprises shall register for social insurance with the local social insurance authorities and pay or withhold the relevant social insurance premiums for or on behalf of their employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit, and may be subject to a late payment surcharge. If the employer fails to rectify the non-compliance within the prescribed time limit, it may be subject to a fine ranging from one to three times the amount overdue.

Pursuant to the Interpretation II of the Supreme People's Court on Several 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"), which took effect on September 1, 2025, any agreement between an employer and an employee or any commitment made by an employee to the employer stating that social insurance premiums need not be paid shall be deemed invalid by the people's court. If an employer fails to pay social insurance premiums in accordance with the law, and the employee requests termination of the labor contract and claims economic compensation pursuant to Article 38, paragraph 3 of the Labor Contract Law, the people's court shall support such claims in accordance with the law. Under the circumstances described in the preceding paragraph, if the employer subsequently pays the social insurance premiums in accordance with the law and requests the employee to return the compensation already paid in respect of the social insurance premiums, the people's court shall support such request in accordance with the law.

Housing Provident Fund

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

Laws and Regulations on Foreign Investment

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

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

The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “Negative List”), promulgated by the NDRC and the Ministry of Commerce on September 6, 2024 and effective on November 1, 2024, sets out certain industries where foreign investment is prohibited or restricted. The Catalogue of Industries for Encouraging Foreign Investment (2025 Version) (《鼓勵外商投資產業目錄(2025年版)》), promulgated by the NDRC and the Ministry of Commerce on December 15, 2025 and effective on February 1, 2026. The Negative List, sets out special administrative measures (restricted or prohibited) in respect of the access of foreign investment in a centralized manner, and the Encouraging List, sets out the industries in which foreign investment is encouraged. The Negative List sets out certain industries where foreign investment is prohibited or restricted, and any field not falling within the Negative List shall be administered under the principle of equal treatment for domestic and foreign investment.

The Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) were promulgated by MOFCOM and the SAMR on December 30, 2019 and came into effect on

January 1, 2020. Foreign investors directly or indirectly conducting investment activities within the territory of China shall submit investment information through the submission of initial reports, change reports, deregistration reports, annual reports, etc. to the competent commerce authorities in accordance with the Measures on Reporting of Foreign Investment Information. When submitting an annual report, a foreign-invested enterprise shall submit the basic information on the enterprise, information on the investors and their actual controlling parties, the enterprise's operation and assets and liabilities information, etc., and where special administrative measures for foreign investment access are involved, the foreign-invested enterprise shall also submit the relevant industry licensing information.

The legal currency of the PRC is Renminbi ("RMB"), which is currently subject to foreign exchange regulation and cannot be freely converted into foreign currencies. The State Administration of Foreign Exchange (the "SAFE"), with the authorization of the People's Bank of China (the "PBOC"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

On January 29, 1996, the State Council promulgated the Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》, the "Foreign Exchange Regulations"), which became effective on April 1, 1996. The Foreign Exchange Regulations classify all international payments and transfers into current items and capital items. Most current items are no longer subject to SAFE's approval, while capital items remain subject to regulation. The Foreign Exchange Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amendment to the Foreign Exchange Regulations expressly provides that no restriction shall be imposed on international current payments and transfers.

On August 5, 2008, the State Council promulgated the revised Foreign Exchange Regulations, which introduced substantial changes to the foreign exchange supervision system of the PRC. First, the regulations adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received from overseas may be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes approved by the competent authorities and foreign exchange administrative authorities; second, the regulations have improved the managed floating exchange rate system of RMB based on market supply and demand; third, in the event that the international balance of payments suffers or may suffer a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payments; fourth, the regulations have enhanced the supervision and administration of foreign exchange transactions and granted extensive authorities to SAFE to strengthen its supervisory and administrative powers.

According to the relevant laws and regulations in the PRC, PRC enterprises which require foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at designated banks that carry on foreign exchange business, on the strength of valid receipts and proof. Foreign-invested enterprises which require foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with relevant regulations, are required to pay dividends to their shareholders in foreign exchange may, after paying taxes in accordance with the law, on the strength of resolutions of the board of directors or resolutions of shareholders on the distribution of profits, effect payment from foreign exchange accounts opened at designated banks that carry on foreign exchange business, or effect exchange and payment at designated banks.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號)), which was promulgated by SAFE on February 13, 2015, became effective on June 1, 2015 and was partially repealed on December 30, 2019, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment shall be directly examined and processed by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice on Further Facilitating Cross-border Trade and Investment (Hui Fa [2019] No. 28) (《關於進一步促進跨境貿易投資便利化的通知》(匯發[2019]28號)), which was issued by SAFE on October 23, 2019, implemented on the same date and most recently amended on December 4, 2023, restrictions have been removed on the use of capital funds by non-investment foreign-invested enterprises for domestic equity investment. In addition, restrictions have also been removed on the use of funds in domestic asset realization accounts for foreign exchange settlement and the use of security deposits for foreign exchange settlement by foreign investors. Eligible enterprises in pilot areas are allowed to use capital funds, foreign debt, overseas listing proceeds and other income under capital items for domestic payments without providing the banks with proofs of authenticity in advance, provided that their use of funds shall be genuine and in compliance with the prevailing regulations governing the use of income from capital items.

Laws and Regulations on Taxation

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, "Enterprise Income Tax Law") promulgated by the SCNPC on March 16, 2007 and last amended and implemented on December 29, 2018, and the Implementation Provisions 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》) promulgated by the State Council on December 6, 2007 and last amended on December 6, 2024, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign countries (regions) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an Enterprise Income Tax of 25% of any income generated within or outside the PRC. A preferential Enterprise Income Tax rate shall be applicable to any key industry or project which is supported or encouraged by the State. High and new technology enterprises which are supported by the State may enjoy a reduced Enterprise Income Tax rate of 15%.

Value-Added Tax

The Value-Added Tax Law of the People's Republic of China (《中華人民共和國增值稅法》), which was promulgated by the SCNPC on December 25, 2024 and effective on 1 January 2026, stipulates that any unit or individual (including individual industrial and commercial households) that sells goods, services, intangible assets or immovable property within the territory of the PRC, or imports goods into the territory, shall be a taxpayer subject to value-added tax ("VAT") and shall pay VAT in accordance with the provisions of this Law. The current VAT rates are 13%, 9%, 6% and 0%, while the collection rate applicable to taxpayers using the simplified method for calculating and paying

VAT is 3%. Taxpayers shall use the VAT credit vouchers prescribed by laws, administrative regulations or the State Council to offset input tax from output tax.

The Regulations on the Implementation of the Value-Added Tax Law of the People's Republic of China (《中華人民共和國增值稅法實施條例》), promulgated by the State Council on December 25, 2025 and implemented on 1 January 2026, sets forth that when issuing a VAT special invoice, a taxpayer shall separately state the sales amount and the VAT amount. VAT credit vouchers shall comply with the relevant provisions of the competent tax authority under the State Council, and specifically include VAT special invoices, special customs bills of payment for VAT on import, tax payment vouchers, agricultural produce purchase invoices, agricultural produce sales invoices, and other credit vouchers that have the function of input tax credit.

The Notice of the MOF and the State Taxation Administration (the "STA") on Adjusting the Value-Added Tax Rate (《財政部國家稅務總局關於調整增值稅稅率的通知》), which was promulgated by the MOF and the STA on April 4, 2018 and came into effect on May 1, 2018, adjusted the applicable value-added tax rates and stipulated that for a taxpayer engaging in taxable sales activities for value-added tax purposes or importation of goods, the previous applicable tax rates of 17.0% and 11.0% would be adjusted to 16.0% and 10.0%, respectively.

According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which was promulgated by the MOF, the STA and the General Administration of Customs (the "GAC") on March 20, 2019 and became effective on April 1, 2019, the value-added tax rates of 16% and 10% on sales and imported goods shall be adjusted to 13% and 9%, respectively.

Dividend Withholding Tax

The Enterprise Income Tax Law provides that, since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》, the "Double Tax Avoidance Arrangement"), the withholding tax rate in respect of the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from the standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. However, according to the Notice of the STA on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was issued by the STA on February 20, 2009, if the relevant PRC tax authorities determine, at their discretion, that a company benefits from the reduced income tax rate due to a structure or arrangement primarily driven by tax considerations, such PRC tax authorities may adjust the preferential tax treatment.

The Announcement of the STA on Issues Concerning the "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》), which was issued by the STA on February 3, 2018 and became effective on April 1, 2018, sets out factors that support or hinder the determination of an applicant's status as a "beneficial owner." Applicants not recognized as beneficial owners will not qualify for the aforementioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Laws and Regulations on Securities and Overseas Listings

Securities Laws and Regulations

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

Information Disclosure

A listed company shall establish a sound information management system in accordance with the regulatory requirements of the securities authorities, market practice, its specific circumstances, and the general information disclosure requirements for listed companies, such as the Administrative Measures for the Disclosure of Information of Listed Companies (《上市公司信息披露管理辦法》), which were promulgated by the China Securities Regulatory Commission (the "CSRC") on January 30, 2007, most recently amended on March 26, 2025 and came into effect on July 1, 2025.

Overseas Listings

On February 17, 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures") together with five supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the "Overseas Listing Regulations"). Under Overseas Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

Pursuant to the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which were promulgated by the CSRC, the Ministry of Finance, the National Administration for State Secrets Protection and the National Archives Administration of China on February 24, 2023 and came into effect on March 31, 2023, where a domestic enterprise provides or publicly discloses, or provides or publicly discloses through its overseas listing entity, documents and data involving state secrets or working secrets of state organs to relevant securities companies, securities service institutions, overseas regulatory authorities or other entities and individuals, it shall obtain the approval of the competent authority in accordance with the law and submit the same to the secrecy administration department at the same level for filing. Where a domestic enterprise provides accounting archives or copies thereof to relevant entities and individuals such as securities companies, securities service institutions and overseas regulatory authorities, it shall follow the corresponding procedures in accordance with the relevant provisions of the State.

LAWS AND REGULATIONS IN MALAYSIA

Below is a summary of the laws and regulations in Malaysia which are material to our Malaysian Subsidiary's business.

Licensing and Permit Requirements

Local Government Act 1976

The Local Government Act 1976 empowers every local authority to make by-laws which, among others, provide for the licensing and regulation of trades, businesses and industries.

The Municipal Council Province Wellesley Licence Fees By-Laws 1980 (the "Seberang Perai By-Laws") provides that it shall be an offence for any person to operate any licensable item appearing in the Schedules of the Seberang Perai By-Laws without a valid licence issued by the President (as defined in the Seberang Perai By-Laws).

A breach of the Seberang Perai By-Laws or conditions thereunder shall be liable to a fine not exceeding RM2,000 and/or by imprisonment of a term not exceeding 1 year. Non-compliance may also result in a further fine not exceeding MYR200 for each day of non-compliance.

Industrial Coordination Act 1975

The Industrial Co-ordination Act 1975 (the "ICA 1975") requires a person engaging in a manufacturing activity to first obtain a manufacturing licence. The ICA 1975 defines manufacturing activity to mean "the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade".

Failure to observe the licensing requirement constitutes an offence under the ICA 1975, which is punishable on conviction by a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 for every day during which such default continues.

Customs Act 1967

The Customs Act 1967 (the "CA 1967") governs customs-related matters in Malaysia. Under the CA 1967, the Director General may, on payment of such fees as may be fixed by him in each case, grant a licence to any person and when granted withdraw, suspend or cancel any such licence, to carry on any manufacturing process and other operation in respect of the goods liable to customs duties and any other goods. A licensed manufacturing warehouse licence issued under this provision shall be deemed to include a licence for warehousing goods as provided under the CA 1967.

Every omission or neglect to comply with, and every act done or attempted to be done contrary to, the provisions of the CA 1967, or any breach of the conditions and restrictions subject to, or upon which, any licence or permit is issued or any exemption is granted under the CA 1967, shall be an offence against the CA 1967 and in respect of any such offence for which no penalty is expressly provided, the offender shall be liable to a fine of not exceeding RM50,000 or to imprisonment for a term not exceeding 5 years or to both.

Pursuant to CA 1967, the Minister of Finance of Malaysia (the "MOF") may from time to time fix the custom duties to be levied on any goods imported into or exported from Malaysia and any customs duty payable under CA 1967 may be recovered as a civil debt due to the Malaysian Government.

Customs (Prohibition of Imports) Order 2023 and Customs (Prohibition of Exports) Order 2023

The MOF has the power to prohibit the importation and exportation of specified goods. Pursuant to the Customs (Prohibition of Imports) Order 2023 and the Customs (Prohibition of Exports) Order 2023, the importation and exportation of certain goods are prohibited except where an import and export licence, as applicable, has been issued by the Director General of Customs or a proper officer of customs authorised by the Director General to act on his behalf at the relevant ministry, department or statutory body specified in the relevant Order, and the importation or exportation is carried out in accordance with the conditions of such licence.

Building Occupation under the Street, Drainage and Building Act 1974

The Street, Drainage and Building Act 1974 (the "SDBA 1974") provides for uniformity of law and policy in relation to street, drainage and buildings in Peninsular Malaysia. It provides that the ruler or governor of the respective states in Peninsular Malaysia shall have the power to make uniform building by-laws necessary to carry out the provisions of the SDBA 1974.

The Uniform Building By-Laws 1984 regulate the construction of buildings and the time, manner and procedure for the issuance of the certificate of completion and compliance (the "CCC") for buildings. It is a self-certification regime whereby a CCC is issued by a principal submitting person who is defined in the SDBA 1974 as a professional architect, professional engineer or building draughtsman registered under the relevant written law. Prior to implementation of the CCC regime on 12 April 2007, local authorities were responsible for the issuance of the certificate of fitness for occupation for buildings.

Pursuant to the SDBA 1974, any person who occupies or permits to be occupied any building or any part thereof without a CCC shall be liable on conviction to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.

Employment and Work Safety Requirements

Employment Act 1955

The Employment Act 1955 governs the law on employment matters in Peninsular Malaysia and the Federal Territory of Labuan, Malaysia. Save for certain offences, the general penalty in respect of an offence committed under or non-compliance with the Employment Act 1955 is a fine not exceeding RM50,000 on conviction.

Employees Provident Fund Act 1991

The Employees Provident Fund Act 1991 governs the law pertaining to the Employees Provident Fund of Malaysia, which is a scheme of savings for the retirement of employees in Malaysia.

Under the Employees Provident Fund Act 1991 and the Employees Provident Fund Regulations 2001, every employer and employee in Malaysia are generally required to pay monthly contributions on the amount of such employee's wages to the Employees Provident Fund of Malaysia, where an employer bears the responsibility of paying both the employee's and employer's contributions no later than the 15th day of the month immediately following the month in respect of which such contributions fall due.

An employer that fails to pay the requisite contributions before the prescribed period is subject to a fine not exceeding RM10,000 and/or to imprisonment for a term not exceeding 3 years on conviction. Additionally, an employer is also liable to pay dividend on and late payment charges for any unpaid contribution due within the prescribed period.

Employees' Social Security Act 1969

The Employees' Social Security Act 1969 governs the law pertaining to Malaysia's social security scheme for employees. Under the Employees' Social Security Act 1969 and the Employees' Social Security (General) Regulations 1971, every employer and employee in Malaysia are generally required to pay monthly social security contributions on the amount of such employee's wages to the Social Security Organisation of Malaysia, where an employer bears the responsibility of paying both the employee's and employer's contributions no later than the 15th day of the month immediately following the month in respect of which such contributions fall due.

An employer that fails to pay the requisite contributions before the prescribed period is subject to a fine not exceeding RM10,000 and/or to imprisonment for a term not exceeding 2 years on conviction. Additionally, an employer is also liable to pay interest on any unpaid contribution due within the prescribed period.

Employment Insurance System Act 2017

The Employment Insurance System Act 2017 governs the law pertaining to the Employment Insurance System administered by the Social Security Organisation of Malaysia to provide certain benefits and a re-employment placement programme for insured persons in the event of loss of employment. Under the Employment Insurance System Act 2017 and the Employment Insurance System (Registration and Contribution) Regulations 2017, every employer and employee in Malaysia are generally required to pay monthly contributions on the amount of such employee's wages to the Employment Insurance System, where an employer bears the responsibility of paying both the employee's and employer's contributions no later than the 15th day of the month immediately following the month in respect of which such contributions fall due.

An employer that fails to pay the requisite contributions before the prescribed period is subject to a fine not exceeding RM10,000 and/or to imprisonment for a term not exceeding 2 years on conviction. Additionally, an employer is also liable to pay interest on any unpaid contribution due within the prescribed period.

Immigration Act 1959/63

The Immigration Act 1959/63 (the "IA 1959/63") regulates matters in respect of immigration, including the issuance of the relevant passes for non-citizens employed by Malaysian employers. Pursuant to the IA 1959/63, no person other than a citizen shall enter Malaysia unless the person is in possession of a valid entry permit or valid pass lawfully issued to him to enter Malaysia or has been granted an exemption under the IA 1959/63.

The IA 1959/63 further provides that any person who employs one or more persons, other than a citizen or a holder of an entry permit, who is not in possession of a valid pass shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM10,000 but not more than RM50,000 or to imprisonment for a term not exceeding 12 months or to both for each such employee. Where the offence involves the employment of more than 5 individuals without valid passes, the offender shall be liable, upon conviction, to imprisonment for a term of not less than 6 months and not exceeding 5 years, and shall also be subject to whipping of not more than 6 strokes.

Occupational Safety and Health Act 1994

The Occupational Safety and Health Act 1994 (the "OSHA 1994"), enforced by the Department of Occupational Safety and Health Malaysia, provides the framework for securing the safety, health and welfare of persons at work and protecting others against risks to safety and health arising from workplace activities and applies to all places of work throughout Malaysia save for the work specified in the OSHA 1994.

An employer whose place of work is not prescribed under the OSHA 1994 as requiring the appointment of a safety and health officer shall appoint one of its employees to act as an occupational safety and health coordinator if there are 5 or more employees employed at its place of work. The occupational safety and health coordinator is responsible for coordinating occupational safety and health issues at the workplace. An employer who fails to do so commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 and/or to imprisonment for a term not exceeding 6 months.

An employer engaging in manufacturing activities which employ more than 500 employees are required to employ a competent person to act as a safety and health officer at the place of work. An employer who fails to do so shall, on conviction, be liable to a fine of not exceeding RM50,000 and/or to imprisonment for a term not exceeding 6 months.

An employer shall establish a safety and health committee at the place of work if there are 40 or more persons employed at the place of work. The committee's main function is to review the safety and health measures and investigate any matters arising thereof. An employer who fails to do so shall, on conviction, be liable to a fine of not exceeding RM100,000 and/or to imprisonment for a term not exceeding 1 year.

Tax Matters

Income Tax Act 1967

The Income Tax Act 1967 (the "ITA 1967") governs the law pertaining to income tax payment in Malaysia.

Corporate Income Tax

The corporate tax rate in Malaysia is 24% in general. A company is considered a tax resident in Malaysia if its management and control are exercised in Malaysia i.e., place where the directors' meeting of the company is held. Such resident companies with a paid-up capital of RM2.5 million or less and gross income from business of not more than RM50 million, will be charged at a tax rate of

15% for the first RM150,000 of chargeable income and 17% for the subsequent RM150,001 to RM600,000 of chargeable income. Any subsequent chargeable income will be taxed at 24%, provided always that the company is not part of a group of companies where any of their related companies have a paid-up capital of more than RM2.5 million.

Statutory Tax Deductions

Under the ITA 1967 and the Income Tax (Deduction from Remuneration) Rules 1994, every employer in Malaysia is required to make the relevant monthly tax deductions from its employees' wages in accordance with the Inland Revenue Board of Malaysia's monthly tax deduction mechanism, and remit such deductions to the Inland Revenue Board of Malaysia no later than the 15th day of the month immediately following the month in respect of which such taxes are required to be deducted.

An employer that fails to remit the relevant deductions before the prescribed period is subject to a fine not less than RM200 and not exceeding RM20,000 and/or to imprisonment for a term not exceeding 6 months on conviction.

Transfer Pricing

Under the ITA 1967 and the Income Tax (Transfer Pricing) Rules 2023, any person entering into a controlled transaction with an associated person is required to determine and apply an arm's length price for such transaction. The Malaysia Transfer Pricing Guidelines 2024 provides detailed guidance on transfer pricing methods, documentation requirements and compliance standards, which are broadly aligned with the OECD Transfer Pricing Guidelines.

A full version of contemporaneous transfer pricing documentation must be prepared prior to the tax return filing deadline by any taxpayer that generates gross business income exceeding RM30 million and engages in cross-border controlled transactions totalling RM10 million or more annually, or that receives or provides controlled financial assistance exceeding RM50 million annually. Upon written request by the Inland Revenue Board of Malaysia, the taxpayer shall furnish such contemporaneous transfer pricing documentation within 14 days of the request. Failure to do so is an offence punishable by a fine of between RM20,000 and RM100,000 per year of assessment and/or imprisonment for a term not exceeding 6 months. In addition, the Director General of Inland Revenue may impose a surcharge of up to 5% on any transfer pricing adjustment made, irrespective of whether such adjustment results in additional tax payable.

Environmental Protection

Environmental Quality Act 1974

The Environmental Quality Act 1974 (the "EQA 1974") and the subsidiary regulations and orders made thereunder regulate activities that may impact the environment, including discharging pollutants, handling scheduled wastes, or operating prescribed industrial premises. Companies are required to obtain licences or approvals from the Department of Environment for the prescribed activities such as those requiring an Environmental Impact Assessment. Companies must also comply with specific standards for pollution control on, for example, air, water, noise, and industrial effluent.

A company that fails to comply with the provisions of the EQA 1974 is subject to a general penalty of a fine not less than RM5,000 and not exceeding RM250,000 and/or imprisonment for a term not exceeding 2 years on conviction, unless a specific penalty is prescribed for the offence.

Personal Data Protection

Personal Data Protection Act 2010

The Personal Data Protection Act 2010 (the "PDPA 2010") regulates the processing of personal data in the course of commercial transactions in Malaysia, and is enforced by the Personal Data Protection Commissioner.

The PDPA 2010 also sets out seven key data protection principles which must be adhered to by data users (i.e., a person who either alone or jointly or in common with other persons processes any personal data or has control over or authorises the processing of any personal data, but does not include a processor) in Malaysia. Broadly, these principles include: (i) the requirement to obtain consent prior to processing an individual's personal data, the requirement to provide written notice to individuals in both English and the Malay language stating, among others, the purposes for which the personal data will be processed, the classes of third parties to whom personal data will be disclosed, and the individual's rights under the PDPA 2010; and (ii) the obligation to ensure that the personal data collected will be processed in a safe and secure manner.

Foreign Exchange Control

There is no prohibition under Malaysian law restricting the making of or the receipt of payments between residents and non-residents (other than the restrictions under the Foreign Exchange Policy Notices issued by the Central Bank of Malaysia, those arising from the Malaysian Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 and the Securities Commission Malaysia's Guidelines on Prevention of Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Reporting Institutions in the Capital Market (collectively, the "Foreign Exchange Prohibitions") in Ringgit Malaysia (on the basis dividends will be paid to the residents' bank accounts in Malaysia) or foreign currency (other than the currency of Israel), for payment of dividends or subscription for or purchase of securities registered in Malaysia.

In this regard, all payments in Ringgit Malaysia (other than those prohibited under the Foreign Exchange Prohibitions) for repatriation abroad must be converted into foreign currency (other than the currency of Israel) with a licensed onshore bank.

REGULATIONS RELATED TO INTERNATIONAL TRADE RESTRICTIONS

The following is a summary of the sanctions regimes imposed by the jurisdictions below. This summary does not intend to set out the laws and regulations relating to U.S., EU, UK, Australian, Canadian and UN sanctions in their entirety.

United States

The United States deploys a wide range of restrictive measures including sanctions and export controls against various targeted countries, groups and individuals. U.S. sanctions include both "primary" and "secondary" sanctions, as well as non-blocking "list-based" sanctions. OFAC administers and enforces the majority of U.S. sanctions programs.

U.S. primary sanctions generally apply to U.S. persons, including any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States. The U.S. has also enacted secondary sanctions targeting non-U.S. persons engaged in prohibited transactions (e.g., significant transactions with parties blocked under U.S. sanctions). The detailed rules of such secondary sanctions differ by sanctions programs. Non-U.S. persons found to be engaging in the prohibited transactions may be denied access to the U.S. economic system, including being designated as SDNs themselves.

On the other hand, the U.S. have also implemented stringent export control regulations, which are primarily administered by BIS. The EAR applies to exports of commodities, software and technical data from the U.S. to foreign countries, and to re-exports from one foreign country to another. In addition, the EAR applies to shipments from one foreign country to another of foreign-made products that incorporate more than a *de minimis* amount of U.S.-controlled parts, components, or materials, as well as foreign-made products that are direct products of certain controlled U.S. software or technology.

The U.S. have also imposed extensive and rapidly-changing tariffs targeting imports from all over the globe. Since April 2025, the U.S. government has frequently escalated and amended various tariffs on Chinese imports. Following the February 20, 2026 ruling by the U.S. Supreme Court striking down the IEEPA tariffs, the U.S. has imposed a temporary 150-day, 10% *ad valorem* duty on all imported articles, effective February 24, 2026 on the basis of Section 122 of the Trade Act of 1974 (19 U.S.C. 2132).

European Union

The EU has over 40 different sanctions regimes in place. EU sanctions apply to individuals and entities nationalized or incorporated within the EU; located on board an aircraft or vessel subject to EU jurisdiction; while in the territory or airspace of the EU, and with respect to business done in the EU Regulation (EU) No 2021/821 controls the export of EU dual use goods.

United Kingdom

UK sanctions apply: (a) within the territory and territorial waters of the UK and to all UK Persons, wherever they are in the world; (b) to all individuals and legal entities who are within or undertake activities within the UK's territory; and/or (c) to all UK nationals and UK legal entities established under UK law, including their non-UK branches (but not separately incorporated non-UK subsidiaries), irrespective of where their activities take place.

The UK Office of Financial Sanctions Implementation, which is part of HM Treasury, maintains two lists of those subject to financial sanctions: (a) the consolidated list includes all designated persons subject to financial sanctions under EU and UK legislation, as well as those subject to UN sanctions which are implemented through EU regulations; and (b) a separate list of entities subject to specific capital market restrictions.

Australia

Australia has a dual sanctions regime consisting of sanctions measures imposed by the UN, together with Australian autonomous sanctions imposed by the Australian Government as a matter of its foreign policy. The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to: (i) any person in Australia; (ii) any Australian anywhere in the world; (iii) activities in Australia; (iv) companies incorporated overseas that are owned or controlled by Australians or persons in Australia; and/or (v) any person using an Australian flag vessel or aircraft to transport goods or transact services subject to UN sanctions.

Canada

Canada maintains a dual sanctions regime consisting of UN sanctions which are enacted into domestic regulations via Canada's United Nations Act, and autonomous sanctions. Canadian autonomous sanctions mainly prohibit persons located in Canada and Canadians outside of the country from various activities involving a designated foreign state, including the acquisition of goods from the designated foreign state; the provision of data to the foreign state; and the exportation, sale, supply or shipment of goods to the foreign state.

United Nations

The UN can take action to maintain or restore international peace and security under Chapter VII of the UN Charter. It does this by way of resolutions passed by the UN Security Council. UN Security Council sanctions have taken a number of different forms and have measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions.

U.S. Outbound Investment Rule

On October 28, 2024, the Treasury released the Outbound Investment Rule, implementing Executive Order 14105, prohibiting or requiring the notification of certain outbound foreign investments by U.S. persons into certain "countries of concern," currently defined to include only China (including Hong Kong and Macao). Effective January 2, 2025 and subject to certain exceptions, the Outbound Investment Rule prohibits U.S. persons from, or requires notification to the U.S. government of, any (i) "covered transaction" involving (ii) a covered foreign person (iii) who is engaged in any "covered activity" involving the semiconductors and microelectronics, quantum information technologies and artificial intelligence sectors. A "covered transaction" includes equity investment. The Outbound Investment Rule allows limited exceptions to the prohibition or notification requirement, including for U.S. investments in publicly traded securities, so long as such investments do not the U.S. person rights beyond "standard minority shareholder protections" with respect to the "covered foreign person."

On December 18, 2025, the U.S. Congress enacted the Comprehensive Outbound Investment National Security Act of 2025 (the "COINS Act"), which codifies and expands the Outbound Investment Rule and provides independent statutory authority for the program for at least seven years. The Treasury was given 450 days to amend the Outbound Investment Rule to conform with the provisions set forth therein, and the existing Outbound Investment Rule remains in effect until then.