THE PRC LAWS, REGULATIONS AND POLICIES

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

Laws, Regulations and Policies Relating to the Integrated Circuit Industry

From 2010 to 2021, the State Council has issued a series of regulations aimed at promoting the development of the integrated circuit industry, which includes the Decision of the State Council on Accelerating the Cultivation and Development of Strategic Emerging Industries (《國務院關於加快培育和發展戰略性新興產業的決定》), the Notice of the State Council on Promulgation of Several Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《國務院關於印發進一步鼓勵軟件產業和集成電路產業發展若干政策的通知》), the Outline for Advancing the National Integrated Circuit Industry (《國家集成電路產業發展推進綱要》), Made in China 2025 (《中國製造(2025)》) and the Notice of the State Council on Promulgation of Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries in the New Era (《國務院關於印發新時期促進集成電路產業和軟件產業高質量發展若干政策的通知》).

On January 25, 2017, the National Development and Reform Commission (the "**NDRC**") promulgated the Strategic Emerging Industries Key Products and Services Guidance Catalog (《戰略性新興產業重點產品和服務指導目錄》), which includes integrated circuit chip design and services as a key product and service in the strategic emerging industries.

On March 28, 2018, the Ministry of Finance (the "**MOF**"), the State Taxation Administration (the "**STA**"), the NDRC and the Ministry of Industry and Information Technology (the "**MIIT**") jointly promulgated the Notice on Issues Concerning Corporate Income Tax Policies for Integrated Circuit Manufacturers (《關於集成電路生產企業有關企業所得稅政策問題的通知》), which grants income tax exemptions or reductions to some integrated circuit manufacturing companies. The next year, the MOF and the STA jointly promulgated the Announcement on Income Tax Policies for Integrated Circuit Design and Software Enterprises (《關於集成電路設計和軟件產業企業所得稅政策的公告》), which provides that integrated circuit design enterprises and software enterprises satisfying the criteria shall enjoy an incentive period with effect from their profit-making years prior to December 31, 2018, and be exempted from enterprise income tax for the first year to the second year, and pay enterprise income tax based on 50% off the statutory 25% tax rate from the third year to the fifth year, until the incentive period expires.

The Notice on Administrative Measures on Import Tax Policies to Support the Development of the Integrated Circuit Industry and the Software Industry (《關於支持集成電路產業和軟件產業發展進口稅收政策管理辦法的通知》), which was jointly promulgated by the MOF, the NDRC, the MIIT and other departments and became effective on July 27, 2020, and the Notice of the MOF, the General Administration of Customs and the STA on Import Tax Policies to Support the Development of the Integrated Circuit Industry and the Software Industry (《財政部、海關總署、稅務總局關於支持集成電路產業和軟件產業發展進口稅收政策的通知》), which took effect on the same day, provide some installment tax payment policies and import tariff exemption policies.

On March 12, 2021, the National People's Congress (the "**NPC**") approved the Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Long-Range Objectives for 2035 of the PRC (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), which clarifies that the PRC should foster advanced manufacturing clusters and promote the innovation and development of industries including integrated circuits.

On May 21, 2022, the STA issued the Guidelines on Tax Preference Policies for Software and Integrated Circuit Enterprises (《軟件企業和集成電路企業稅費優惠政策指引》). Pursuant to the Notice of the MOF and the STA on the Weighted Deduction Policy for Value-added Tax on Integrated Circuit Enterprises (《財政部、稅務總局關於集成電路企業增值稅加計抵減政策的通知》) promulgated on

April 20, 2023, from January 1, 2023 to December 31, 2027, integrated circuit enterprises are allowed to deduct extra 15% of the deductible input tax in the current period from the value-added tax payable. The Announcement on Increasing the Proportion of Weighted Deduction of R&D Expenses of Enterprises for Integrated Circuit and Industrial Master Machine (《關於提高集成電路和工業母機企業研發費用加計扣除比例的公告》) jointly promulgated by the MOF, the STA, the NDRC and the MIIT on September 12, 2023, sets out preferential tax policies for integrated circuit enterprises and industrial master machine enterprises.

Laws and Regulations Relating to Company

On December 29, 1993, the Standing Committee of the National People's Congress (the "**SCNPC**") issued the Company Law of the PRC (《中華人民共和國公司法》) (the "**Company Law**"), which was most recently amended by the SCNPC on December 29, 2023 and came into effect on July 1, 2024. All companies established in the PRC are subject to the Company Law. The Company Law regulates the establishment, operation, corporate structure and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares.

Transfer of Shares

Shares may be transferred in accordance with relevant laws and regulations. Registered shares shall be transferred by means of endorsement or other means prescribed by laws or regulations; after the transfer, the company shall record the name and domicile of the transferee in the register of shareholders of the company. The transfer of bearer shares shall take effect when the shareholder delivers the shares to the transferee.

Restrictions on Shareholding and Transfer of Shares

Where domestic investors subscribe for H shares issued by domestic enterprises, domestic investors shall be compliant with relevant provisions of the cross-border investment, such as qualified domestic institutional investors (QDII) or overseas direct investment filing (ODI), etc.

Pursuant to the Company Law, shares issued prior to the public offering shall not be transferred within one year from the date a company's shares are listed and traded on a stock exchange. The directors and senior management personnel of the company shall report to the company the shares held by them and their changes. During the term of office as determined when they assume the posts, the shares transferred each year shall not exceed 25% of the total shares they hold of the company. The above-mentioned personnel shall not transfer their shares of the company within half a year after their resignation. The Articles of Association of the company may make other restrictive provisions.

Laws and Regulations Relating to Foreign Investment

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which was promulgated by the NPC on March 15, 2019, and came into effect on January 1, 2020 and the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which was promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020, establish principles and measures aimed at encouraging foreign investment, and explicitly stipulate that China provides legal protection for the investments, profits and other lawful rights and interests of foreign investors in China. The Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2024) (《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 Ministry of Commerce (the "**MOFCOM**") and the NDRC on September 6, 2024, and came into effect on November 1, 2024, comprehensively enumerates restrictive measures for foreign investment market access. Industries not included on the list shall be subject to administration pursuant to the principle of equal treatment for domestic and foreign investment.

Laws and Regulations Relating to Securities and Overseas Listing

Securities

The Securities Law of the PRC (《中華人民共和國證券法》) (the "**Securities Law**"), which was promulgated by the SCNPC on December 29, 1998, most recently amended on December 28, 2019 and came into effect on March 1, 2020, comprehensively regulates activities in the Chinese Mainland securities market, including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The China Securities Regulatory Commission (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 issuance and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listing

On February 17, 2023, the CSRC issued a series of regulations governing the filing and administration of overseas securities issuance and listing by domestic enterprises. These included the trial measures and five supporting guidelines (collectively known as the "**Overseas Listing Regulations**"). According to the Overseas Listing Regulations, the domestic enterprises that seek to offer and list securities in overseas markets, either by direct or indirect means, are required to submit the requisite documents to the CSRC within three business days after submitting their overseas listing application.

Pursuant to the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities 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 was jointly promulgated by the CSRC and other three relevant government departments on February 24, 2023 and became effective on March 31, 2023, in the course of overseas issuance and listing of domestic enterprises, domestic enterprises and securities companies and securities service agencies which provide the corresponding services shall strictly comply with the relevant laws and regulations, establish a sound system for confidentiality and archives work, adopt the requisite measures to perform the responsibilities of confidentiality and archives administration, and shall not divulge state secrets and work secrets of state agencies or harm state and public interests.

The Administrative Measures for Overseas Investments (《境外投資管理辦法》) was promulgated by the MOFCOM on September 6, 2014, which came into effect on October 6, 2014. The Administrative Measures for the Outbound Investment by Enterprises (《企業境外投資管理辦法》) was promulgated by the NDRC on December 26, 2017, which came into effect on March 1, 2018. According to these measures, sensitive projects carried out by the investing entities directly or through overseas enterprises controlled by them shall be subject to approval. Overseas investments involving any sensitive country or region, or any sensitive industry shall be subject to the approval by the NDRC, and overseas investments under other circumstances shall be subject to filing. The MOFCOM and provincial competent commerce authorities manage overseas investments through the "Overseas Investment Management System", and issue the Enterprise Overseas Investment Certificate to enterprises that have obtained filing or approval.

The Notice of the People's Bank of China and the State Administration of Foreign Exchange on Issues Concerning Capital Management for Overseas Listings of Domestic Enterprises (《中國人民銀行國家外匯管理局關於境內企業境外上市資金管理有關問題的通知》) was promulgated on December 26, 2025, and came into effect on April 1, 2026. According to the Notice, in principle, the funds raised by domestic enterprises from overseas listing shall be remitted back to China in a timely manner. If such funds are retained overseas for purposes such as overseas direct investment, overseas securities investment, or overseas lending, the enterprises must obtain approval or filing documents from the competent governmental authorities before the completion of the overseas offering or the over-allotment option, and shall comply with the relevant regulations concerning cross-border funds management.

Laws and Regulations Relating to Intellectual Property Rights

Patent

The Patent Law of the PRC (《中華人民共和國專利法》) was enacted by the SCNPC on March 12, 1984 and implemented on April 1, 1985. It was most recently amended on October 17, 2020 and implemented on June 1, 2021. The Implementing Rules for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) was promulgated on January 19, 1985 and implemented on April 1, 1985. It was most recently amended on December 11, 2023 and implemented on January 20, 2024. Pursuant to these laws, regulations and implementing rules, patents in China are categorized into three types: invention, utility model and design. The duration of an invention is 20 years, the duration of a utility model is 10 years, and the duration of a design is 15 years, all calculated from the date of application.

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) was promulgated by the SCNPC on August 23, 1982 and implemented on March 1, 1983. It was most recently amended on April 23, 2019 and implemented on November 1, 2019. The Implementing Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) were promulgated by the State Council on August 3, 2002 and implemented on September 15, 2002. It was most recently amended on April 29, 2014 and came into effect on May 1, 2014. Pursuant to these laws and regulations, the duration of a registered trademark is 10 years, commencing from the date of approval. If the trademark registrant intends to continue using the trademark, it shall complete renewal formalities pursuant to the provisions within the 12-month period before the expiry date; where renewal formalities are not completed within the stipulated period, a six-month extension may be allowed.

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》) was promulgated by the SCNPC on September 7, 1990 and implemented on June 1, 1991, was last amended on November 11, 2020, and became effective on June 1, 2021. The Implementing Regulations for the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) were promulgated on May 30, 1990 and implemented on June 1, 1991, were last amended on January 30, 2013, and became effective on March 1, 2013. According to these laws and regulations, works of Chinese citizens, legal persons, or other organizations, including but not limited to works of literature, art, natural science, social science, engineering technology and computer software, shall enjoy copyright whether published or not.

According to the Measures for Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002, and the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) amended by the State Council on January 30, 2013 and effective on March 1, 2013, the National Copyright Administration is primarily responsible for the registration and management of software copyright in the Chinese Mainland, and recognizes the China Copyright Protection Center as the software registration organization.

Layout-Design of Integrated Circuits

The Regulations for the Protection of Layout-Designs of Integrated Circuits (《集成電路布圖設計保護條例》) were promulgated by the State Council on April 2, 2001, and implemented on October 1, 2001. The Detailed Implementation Rules for the Regulations for the Protection of the Layout Design of Integrated Circuits (《集成電路布圖設計保護條例實施細則》) were promulgated by the National

Intellectual Property Administration on September 18, 2001, and implemented on October 1, 2001. According to these regulations, natural persons, legal persons or other organizations that create layout-designs in China enjoy the exclusive rights to their designs. The term of protection for the exclusive right of layout-designs is 10 years, calculated from the date of filing the application for registration of the layout-design or the date on which it is first put into commercial use anywhere in the world, whichever is earlier. However, a layout-design shall no longer be protected by these regulations 15 years after the date of the completion of its creation.

Domain Name

According to the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》), which were promulgated by the MIIT on August 24, 2017, and implemented on November 1, 2017, the principle of "first to file" is adopted for domain name registration services.

Laws and Regulations Relating to Employment and Social Welfare

Employment

The Labor Law of the PRC (《中華人民共和國勞動法》) (the "**Labor Law**"), was promulgated by the SCNPC on July 5, 1994, implemented on January 1, 1995, and was last amended and implemented 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**") was promulgated by the SCNPC on June 29, 2007, and implemented on January 1, 2008, with the latest amendment taking effect on July 1, 2013. The Implementation Regulations for the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) were promulgated and implemented by the State Council on September 18, 2008. The aforementioned laws and regulations impose stringent requirements on employers regarding the signing of employment contracts, hiring temporary employees and dismissal of employees.

The Supreme People's Court's Interpretation (II) on Several Issues Concerning the Application of Law in 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)》) was promulgated by the Supreme People's Court of the PRC on July 31, 2025, which took effect on September 1, 2025. Article 19(1) thereof stipulates that if an employer and an employee agree or the employee undertakes that social insurance contributions need not be paid, the People's Court shall deem such agreement or undertaking invalid. Furthermore, where an employer fails to pay social insurance contributions in accordance with the law, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to Article 38(3) of the Labor Contract Law, the People's Court shall support such claims in accordance with the law, which clarifies that employees are entitled to request termination of their labor contracts and receive corresponding economic compensation under the Labor Contract Law if the employer fails to make social insurance contributions in accordance with the law.

Social Welfare

The Social Security Law of the PRC (《中華人民共和國社會保險法》) (the "**Social Security Law**") was promulgated by the SCNPC on October 28, 2010 and was last amended on December 29, 2018. It establishes a social insurance system covering basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance, and elaborates on the legal liabilities of employers who fail to comply with social insurance-related laws and regulations. According to the Social Security Law and the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999, and last amended and effective on March 24, 2019, enterprises shall register for social insurance with local social insurance agencies and pay or withhold relevant social insurance premiums for their employees. Any employer failing to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a specified period, and shall pay a late fee. If the employer still fails to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

According to the Regulations on the Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and last amended on March 24, 2019, employers shall make registration of contribution to the housing provident fund with the housing provident fund management center, and go through the formalities of opening housing provident fund accounts on behalf of their employees. In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing provident fund management center, and where employers fail to make payment within such period, enforcement by the people's court will be applied.

Laws and Regulations Relating to Foreign Exchange

According to the Foreign Exchange Control Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, and implemented on April 1, 1996, with its latest amendment taking effect on August 5, 2008, RMB is generally freely convertible for current account transactions, such as foreign exchange transactions related to trade and services and dividend payments. However, unless prior approval is obtained from the foreign exchange administrative authorities, capital account transactions, including capital transfers, direct investment, securities investment, derivatives or loans, are not allowed to be freely converted.

The Administrative Regulations on Settlements, Sales and Payments in Foreign Exchange (《結匯、售匯及付匯管理規定》) were promulgated by the People's Bank of China on June 20, 1996, and implemented on July 1, 1996. The Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of 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》) was promulgated on March 30, 2015. According to these regulations, domestic institutions must open foreign exchange accounts with banks authorized to conduct foreign exchange business in their registration area and handle foreign exchange settlement, purchase and payment according to these regulations. Domestic institutions opening foreign exchange accounts in different locations or abroad must apply to the State Administration of Foreign Exchange (the "**SAFE**"). Foreign-invested enterprises can open foreign exchange settlement accounts with banks authorized to conduct foreign exchange business in their registration area for foreign exchange income under current accounts with approval.

Pursuant to the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-Related Businesses (《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》), which was issued and implemented by the SAFE on April 10, 2020, enterprises meeting certain conditions are permitted to use income under the capital accounts, including capital funds, foreign debts and overseas listing proceeds, for domestic payments without needing to provide proof of authenticity to banks on a transaction-by-transaction basis in advance, as long as the fund usage is genuine, compliant and in accordance with current capital account income management regulations.

The Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) was issued by the SAFE on February 13, 2015 and implemented on June 1, 2015, which was partially repealed by the Notice of the SAFE on Repeal and Invalidation of Five Regulatory Documents on Foreign Exchange Administration and Some Clauses of Seven Regulatory Documents on Foreign Exchange Administration (《國家外匯管理局關於廢止和失效5件外匯管理規範性文件及7件外匯管理規範性文件條款的通知》) issued and implemented on December 30, 2019.

As per this notice, banks directly review and handle foreign exchange registration under domestic direct investment and foreign direct investment, while the SAFE and its branches exercise indirect supervision over foreign exchange registration for direct investments through banks.

Laws and Regulations Relating to Taxation

The Corporate Income Tax Law of the PRC (《中華人民共和國企業所得税法》) was promulgated by the SCNPC on March 16, 2007, implemented on January 1, 2008, and last amended and implemented on December 29, 2018. The Implementing Regulations for the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) were promulgated by the State Council on December 6, 2007, implemented on January 1, 2008, and last amended on December 6, 2024. The Administrative Measures on Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) were issued by the Ministry of Science and Technology (the "**MOST**"), the MOF and the STA on January 29, 2016, and implemented on January 1, 2016. According to these laws and regulations, both resident enterprises and non-resident enterprises are subject to a uniform enterprise income tax rate of 25%. Enterprises recognized as High-tech Enterprises are subject to a tax rate of 15%, while eligible small and low-profit enterprises are subject to a tax rate of 20%. However, non-resident enterprises that have not established institutions or places in China, or whose income is not effectively connected with their established institutions or places in China, shall pay enterprise income tax on their income derived from within China at a tax rate of 20%.

Issued and implemented by the STA on February 20, 2009, the Notice of the STA on Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (《國家税務總局關於執行税收協定股息條款有關問題的通知》) stipulates that when a Chinese resident company pays dividends to a resident of a tax treaty counterpart, and the recipient (or the beneficiary of the dividends) is the beneficial owner of the dividends, the recipient is entitled to the preferential treatment under the tax treaty, i.e., the income tax in China is calculated at the rate specified in the tax treaty in China. If the treaty rate is higher than the domestic tax rate of China, the taxpayer may still be taxed according to Chinese domestic tax laws. If the resident of a tax treaty counterpart directly owns a certain percentage of the capital (generally 25% or 10%) of the Chinese resident company paying the dividends, the dividends received by the resident of a tax treaty counterpart will be taxed at the treaty-specified rate.

Published by the STA on February 3, 2018, and implemented on April 1, 2018, the Announcement of the STA on Issues Relating to the "Beneficial Owner" in Tax Treaties (《國家税務總局關於税收協定中「受益所有人」有關問題的公告》) defines the "beneficial owner" in the dividend, interest and royalties articles of double taxation avoidance agreements signed by the PRC government as a person who has ownership and control over the income or the rights or property from which the income is derived. The determination of the status of a "beneficial owner" who is a resident of a treaty counterpart seeking treaty benefits should be made based on the factors listed in the Announcement, combined with a comprehensive analysis of the specific circumstances of each case.

Issued by the STA on October 14, 2019, and implemented on January 1, 2020, the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《非居民納税人享受協定待遇管理辦法》) state that non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of "self-assessment, declaration of entitlement, and retention of relevant materials for future inspection." A non-resident taxpayer who determines that he or she meets the conditions for enjoying treaty benefits may enjoy such benefits at the time of tax declaration or through the withholding agent at the time of withholding declaration. Non-resident taxpayers should also collect and retain relevant materials according to the provisions of the Administrative Measures and accept subsequent management by the tax authorities.

According to the PRC Value-Added Tax Law (《中華人民共和國增值税法》) latest amended by the SCNPC on December 25, 2024 and became effective on January 1, 2026, and the Implementation Rules of the Value-Added Tax Law of the PRC (《中華人民共和國增值税法實施條例》) latest amended by the

State Council on December 25, 2025 and became effective on January 1, 2026, all entities and individuals engaged in sale of goods or provision of processing, repair and maintenance services or importation of goods in Chinese mainland are subject to the Value-Added Tax (the "**VAT**"). Unless otherwise specified, the VAT rate is generally 13% in respect of the sale or importation of goods.

Laws and Regulations Relating to Environmental Protection and Fire Control

Environmental Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) was promulgated and implemented by the SCNPC on September 13, 1979, latest revised on April 24, 2014, and implemented on January 1, 2015. The Law on Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》), was promulgated by the SCNPC on October 28, 2002, and implemented on September 1, 2003. It was latest revised and implemented on December 29, 2018. According to these laws, the state implements a categorized management system for environmental impact assessments of construction projects. The construction entity is responsible for the content and conclusions of the environmental impact assessment documents of its project. Without review and approval by the relevant authorities in accordance with the law, the construction entity shall not commence construction.

Fire Control

The Fire Control Law of the PRC (《中華人民共和國消防法》) was first promulgated by the SCNPC on April 29, 1998, and came into effect on September 1, 1998 and was latest revised and implemented on April 29, 2021. The Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) were first promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, latest revised on August 21, 2023, and implemented on October 30, 2023. According to the aforementioned laws and regulations, for construction projects which are completed and for which fire protection acceptance is required as stipulated by the competent housing and urban-rural development authority under the State Council, the construction entity must apply to the competent housing and urban-rural development department for fire protection acceptance. For other construction projects not covered by the preceding provision, the construction entity shall, after conducting its own acceptance, submit the relevant information to the competent housing and urban-rural development department for record-filing, and the said department shall conduct spot checks.

Laws and Regulations Relating to Product Quality

Pursuant 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 latest amended and implemented on December 29, 2018, producers and sellers shall establish a sound internal product quality control system and strictly adhere to a job responsibility system in relation to quality standards and quality liabilities together with implementing corresponding examination and inspection measures, and they shall bear liability for product quality accordingly.

Laws and Regulations Relating to Leasing of Real Estate

The Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**") was promulgated by the NPC on May 28, 2020 and implemented on January 1, 2021. According to the Civil Code, the establishment, change, transfer and elimination of real estate rights become effective after being registered according to law. Without registration, it will not take effect, unless otherwise stipulated by law. The registration of real estate shall be handled by the registration authority where the real estate is located. However, if the parties to a lease contract fail to go through the registration formalities of the lease contract in accordance with the provisions of laws and administrative regulations, the validity of the contract will not be affected.

According to the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》) promulgated on December 1, 2010 and implemented on February 1, 2011, the parties to a house lease shall conclude a lease contract according to law.

Laws and Regulations Relating to Investment Projects

The Administrative Regulations on Approval and Filing of Projects Invested by Enterprises (《企業投資項目核准和備案管理條例》) was promulgated on November 30, 2016 and implemented on February 1, 2017. The Administrative Measures on Approval and Filing for Enterprise Investment Projects (《企業投資項目核准和備案管理辦法》) was promulgated on March 8, 2017 and implemented on April 8, 2017. According to these laws and regulations, approval administration or filing administration shall be implemented respectively in accordance with the circumstances of the projects, and projects relating to national security or involving nationwide significant productivity layout, development of strategic resources and significant public interest shall be subject to approval administration, and other projects shall be subject to filing administration.

Laws and Regulations Relating to the Import and Export of Goods

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) was promulgated by the SCNPC on May 12, 1994, and implemented on July 1, 1994. It was last promulgated and implemented on December 30, 2022; the Measures for the Record Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》) were promulgated by the MOFCOM on June 25, 2004 and implemented on July 1, 2004, and were most recently promulgated and implemented on May 10, 2021. According to these laws, regulations and measures, the state allows the free import and export of goods and technologies.

The Administrative Provisions of the Customs of the PRC on Record-filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) was promulgated by the General Administration of Customs on November 19, 2021, and implemented on January 1, 2022. According to this regulation, the consignor and consignee of import and export goods and the customs declaration enterprise shall obtain the qualification of market entity when applying for filing.

The Administrative Regulations of the PRC on the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) was promulgated by the State Council on December 10, 2001 and implemented on January 1, 2002. It was last revised on March 10, 2024 and implemented on May 1, 2024. According to this regulation, goods that are prohibited from import shall not be imported, and goods that are prohibited from export shall not be exported. Quota management shall be implemented for restricted import goods with quantitative restrictions stipulated by the state; other restricted import and export goods shall be subject to license management. Import and export are freely imported and exported goods without restrictions.

Pursuant to the Export Control Law of the PRC (《中華人民共和國出口管制法》) issued by the SCNPC on October 17, 2020, China adopts a unified export control system, which is subject to administration through the formulation of a control list, directory or catalogue, the implementation of export permission, or otherwise, and adopts a licensing system for the export of controlled items.

Laws and Regulations Relating to Cybersecurity and Data Security

The State Security Law of the PRC (《中華人民共和國國家安全法》) was promulgated by the SCNPC on July 1, 2015, which became effective on the same day, pursuant to which the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, projects relating to national security matters and other important activities that are likely to impact national security of the PRC.

The Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cybersecurity Law**") was promulgated by the SCNPC on November 7, 2016, which became effective on June 1, 2017 and was latest amended on October 28, 2025. According to the Cybersecurity Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard cybersecurity in conducting business and providing services.

The Cybersecurity Review Measures (《網絡安全審查辦法》) was issued by the Cyberspace Administration of China (the "**CAC**") and certain other regulatory authorities of the PRC on December 28, 2021, which became effective on February 15, 2022. Pursuant to the 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 cybersecurity review.

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 became effective on September 1, 2021, sets out various obligations for data processors in conducting data processing activities. The Regulations on the Administration of Cyber Data Security (《網絡數據安全管理條例》) (the "**Cyber Data Security Regulations**") promulgated by the State Council on September 24, 2024, which became effective on January 1, 2025, stipulate that where network data processors carry out network data processing activities that affect or may affect national security, they shall undergo a national security review in accordance with relevant national regulations. The Cyber Data Security Regulations optimize regulations for cross-border data security management, specifying conditions under which network data processors may provide personal information abroad in accordance with international treaties or agreements.

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**PIPL**") was promulgated by the SCNPC on August 20, 2021 and became effective on November 1, 2021. The PIPL stipulates the scope of personal information and the ways of processing personal information, establishes rules for processing personal information and for providing personal information to overseas recipients, and clarifies the individual's rights and the processor's obligations in the process of personal information processing. On July 7, 2022, the CAC promulgated the Security Assessment Measures for Data Provision Abroad (《數據出境安全評估辦法》) (the "**Security Assessment Measures**"), which came into effect on September 1, 2022. The Security Assessment Measures specifies the circumstances where a cross-border data transfer is subject to security assessment.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN HONG KONG

The major applicable Hong Kong laws and regulations of Hong Kong which relate to the business operations and the subsidiary incorporated in Hong Kong are set out below. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations in Hong Kong, and/or which may be important to potential **[REDACTED]**.

Business

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

Section 5 of the Business Registration Ordinance requires every person (a company or an individual) carrying on a business in Hong Kong to register with the Inland Revenue Department and obtain a business registration certificate within one month of the commencement of the business. Business registration follows an application-based procedure and does not involve government approval. A business registration certificate will be issued upon satisfaction of the statutory requirements.

Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong)

The Import and Export Ordinance provides for the regulation and control of the import of articles into Hong Kong, the export of articles from Hong Kong, the handling and carriage of articles within Hong Kong which have been imported into Hong Kong or which are intended to be exported from Hong Kong, and any matter incidental to or connected with the foregoing. The import and export of certain articles are prohibited unless with the relevant licences issued under the Import and Export Ordinance.

Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong)

Pursuant to the Import and Export (Registration) Regulations, every person, including company, who imports or exports or re-exports any article (other than an exempted article set out therein) shall, within 14 days after the importation or exportation of the article to which it relates, lodge with the Commissioner of Customs and Excise of Hong Kong and any Deputy or Assistant Commissioner of Customs and Excise of Hong Kong an accurate and complete import or export declaration relating to such article in accordance with the requirements that the Commissioner of Customs and Excise of Hong Kong may specify.

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

The Inland Revenue Ordinance imposes taxes on property, earnings and profits in Hong Kong and provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business.

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

The Sale of Goods Ordinance regulates the sale of goods by the Group in Hong Kong, under which:

(a) there is an implied condition that the goods shall correspond with the description where there is a contract for the sale of goods by description;

(b) there is an implied condition that the goods supplied under the contract are of merchantable quality where a seller sells goods in the course of a business, except that there is no such condition (i) as regards defects specifically drawn to the buyer's attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract by sample, as regards defects which would have been apparent on a reasonable examination of the sample; and

(c) where there is a contract for sale by sample, there are implied conditions that (i) the bulk shall correspond with the sample in quality, (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample, and (iii) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

On the other hand, any right, duty or liability which arises under a contract of sale of goods by implication of law may be negatived or varied by express agreement, or by course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract, subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong).

Intellectual Property Rights

Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)

The Trade Marks Ordinance provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department.

In particular, under the Trade Marks Ordinance:

(a) a registered trademark is a property right acquired through due registration under such ordinance, and the owner of a registered trademark is entitled to such rights provided by the ordinance;

(b) the owner of a registered trademark is conferred exclusive rights in the trademark from the date of the registration of the trademark which is the filing date of the application for registration; and

(c) subject to exceptions, any use of the trademark by third parties without the consent of the registered owner is an infringement of the trademark. Infringement proceedings will be conducted if an infringement of trademark takes place and the registered owner is entitled to remedies under the ordinance.

Trademarks which are not registered under the Trade Marks Ordinance may still be protected by the common law action of passing off, which requires proof of the owner's reputation in the unregistered trademark and that use of the trademark by third parties will cause the owner damage.

Patents Ordinance (Chapter 514 of the Laws of Hong Kong)

The Patents Ordinance provides for the registration of patents for the protection of inventions, being products, substances, or processes which are new and inventive. Hong Kong provides territorial protection for patents. Therefore, patents registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, patents must be registered with the Trade Marks Registry of the Intellectual Property Department. Once registered, the patent owner or inventor of the invention has the right to exclude others from using the invention in Hong Kong for the period of protection granted by the patent.

In particular, under the Patents Ordinance, there are two types of patents:

(a) Standard patent — this offers a patent protection term of up to 20 years for the invention and may be obtained under two routes:

  (i) Re-registration (standard patent (R)) — this patent is granted on the basis of a corresponding patent application for the same invention previously filed with a designated patent office outside Hong Kong (in China, the EU or the UK); and

  (ii) Original grant patent (standard patent (O)) — the applicant can file their standard patent (O) application directly in Hong Kong without first filing the patent application in designated patent office.

(b) Short-term patent — this offers a protection term of up to eight years.

Information Security

Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)

The Personal Data (Privacy) Ordinance (the "**PDPO**") covers any data relating directly or indirectly to a person namely, the data subject, from which it is practicable to ascertain the identity of the individual and which are in a form in which access to or processing of the data is practicable. It applies to a data user, namely any person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of personal data.

Under the PDPO, no mandatory product-specific information security certification is required for marketing general memory products in Hong Kong.

We may have access to personal data of our customers. In doing so, we must comply with the PDPO and its six principles of the PDPO, which are as follows:

Principle 1 — Purpose and manner of collection of **personal data**. This provides for the lawful and fair collection of personal data and sets out the information a data user must give to a data subject when collecting personal data from that subject.

Principle 2 — Accuracy and duration of retention of **personal data**. This provides that personal data should be accurate, up-to-date and kept no longer than necessary.

Principle 3 — Use of personal data. This provides that unless the data subject gives consent otherwise personal data should be used for the purposes for which they were collected or a directly related purpose.

Principle 4 — Security of personal data. This requires appropriate security measures to be applied to personal data.

Principle 5 — Information to be generally available. This provides for openness by data users about the kinds of personal data they hold and the main purposes for which personal data are used.

Principle 6 — Access to personal data. This provides for data subjects to have rights of access to and correction of their personal data.

Non-compliance with the data protection principles may lead to a complaint being lodged to the Privacy Commissioner for Personal Data (the "**Privacy Commissioner**") and the Privacy Commissioner may serve an enforcement notice to direct the data user to take steps to remedy the contravention.

Contravention of an enforcement notice is an offence under the PDPO which could result in a fine and imprisonment. A claim for compensation may also be made by a data subject who suffers damage by reason of a contravention of a requirement under the PDPO.

Employment

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

The Employment Ordinance regulates the general conditions of employment and matters connected therein in Hong Kong. It provides for a comprehensive range of employment protection and benefits for employees, including, among others, wage protection, paid annual leave, maternity protection, statutory holidays, severance payment and long service payment.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

Under Mandatory Provident Fund Schemes Ordinance, an employer must take all practicable steps to ensure that employees who are at least 18 but under 65 years of age and employed for 60 days or more become members of a registered scheme (except for certain exempt persons) within the first 60 days of employment.

It is also mandatory for an employer to make mandatory contributions to the mandatory provident fund scheme. For each contribution period occurring after that commencement (i) from the employer's own funds, contribute to the relevant registered scheme the amount determined in accordance with Mandatory Provident Fund Schemes Ordinance; and (ii) deduct from the employee's relevant income for that period as a contribution by the employee to that scheme the amount determined in accordance with Mandatory Provident Fund Schemes Ordinance.

Employee's Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employee's Compensation Ordinance provides that an employer is liable for any personal injury by accident arising out of and in the course of the employment to the employee.

It further provides that no employer shall employ any employee in the any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for more than the specified amount in respect of the liability of the employer.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides the wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the statutory minimum wage rate. The statutory minimum wage with effect from May 1, 2026 is HK$43.1 per hour and it applies to all employees being engaged under a contract of employment under the Employment Ordinance, except those employed as domestic workers in, or in connection with, a household and who dwell in that household free of charge, student interns and work experience students during a period of exempt student employment.

LAWS AND REGULATIONS RELATING TO TAIWAN'S OUTBOUND INVESTMENT IN CHINESE MAINLAND ENTITIES

Act Governing Relations between the People of the Taiwan Area and the Mainland Area of China ("Cross-strait Act")

Article 35 of the Cross-strait Act stipulates that individuals, juristic persons and other similar organizations from Taiwan Area of China shall obtain approval from the Ministry of Economic Affairs ("**MOEA**") of the Taiwan Area for investment or technical cooperation in the Chinese Mainland. For investments with a cumulative amount below US$1 million in the same Mainland enterprise, they may be reported and filed with MOEA after the completion of investment.

Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area (the "Ordinance")

Forms of Investment and Technical Cooperation: Investment forms include establishing new business entities, increasing capital in existing Mainland enterprises, acquiring equity in unlisted companies, and establishing or expanding branch offices. Technical cooperation refers to the direct or indirect transfer or licensing of know-how, patent rights, or computer program copyrights from relevant entities in Taiwan Area of China to relevant entities in the Chinese Mainland. Note that prior to December 30, 2020, technical cooperation referred to authorizing specialized technology or intellectual property rights to people in the Mainland Area and agreeing to obtain certain remuneration in a manner other than equity, and did not include the act of transferring specialized technology or intellectual property rights to people in the Mainland Area.

Sector-specific Limitations: Investors from Taiwan Area of China shall not invest in prohibited industries/projects in the Chinese Mainland (including certain agricultural, manufacturing, service and BOT infrastructure projects). Conditionally permitted industries/projects, such as wafer foundries, integrated circuit design, packaging and testing, LCD panel manufacturing, real estate development, and products such as ethylene, require prior approval from MOEA. All other industries and projects are open to investment. When a parent company from Taiwan Area of China applies to establish a subsidiary in the Chinese Mainland, MOEA's approval already covers the technical aspects of the investment, so no separate approval for technical cooperation is required; if specialized technology or patent rights are subsequently transferred or licensed to the subsidiary, separate approval from MOEA is necessary. As per confirmed with MOEA, the abovementioned sector-specific limitations apply in such a way that when dealing with investment applications, MOEA looks into whether the operations of the Mainland enterprise involve prohibited or conditionally permitted industries/projects. On the other hand, when reviewing technical cooperation applications, sector-specific limitations do not concern operations of the Mainland enterprise itself; rather, MOEA looks into whether the contents of technology or intellectual property fall into usage or application in relation to prohibited or conditionally permitted industries/projects.

Ongoing Reporting Requirements: Approved investors shall submit designated documents to MOEA for filing within six months after the completion of investment and regularly fill in the Investment Enterprise Operational Status Survey Form; those with cumulative investment below US$1 million in the same Mainland enterprise shall also file relevant documents within six months after investment completion. For approved technical cooperation, the start date shall be reported to MOEA within six months after implementation. If a single investor from Taiwan Area of China has a cumulative investment of US$50,000,000 or more in the same Mainland enterprise, it shall report the implementation status of the investment plan within 10 days after the end of each quarter, and submit the annual implementation status and financial statements certified by a certified public accountant within five months after the end of each fiscal year.

FINAL RULE BY THE U.S. DEPARTMENT OF THE TREASURY

On October 28, 2024, the U.S. Department of the Treasury (the "**Department of Treasury**") issued the "Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern" (the "**Final Rule**") to implement an outbound investment program that restricts investments by U.S. persons and U.S.-controlled entities imposed by Executive Order 14105, "Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern". The Final Rule became effective on January 2, 2025.

Application Scope of the Final Rule

The Final Rule applies to investments by U.S. persons as to "covered transactions" involving "covered foreign person" associated with a "country of concern" in "covered activities."

- "Covered activities" include activities in (1) semiconductors and microelectronics sectors, (2) quantum information technologies sectors and (3) artificial intelligence sectors that pertain to national security technologies and products.

- "Covered transactions" under the Final Rule include (1) acquisition of equity (including purchases of shares in an initial public offering) or contingent equity, (2) debt financing, (3) conversion of contingent equity interest, (4) greenfield and brownfield investments, (5) joint ventures, and (6) investments made as a limited partner.

- "Covered foreign person" means (1) a person of a country of concern who or who is engaged in activities involving one or more of the three sectors of semiconductors and microelectronics, quantum information technologies, and artificial intelligence, and (2) a person that directly or indirectly holds a board seat on, a voting or equity interest in, or any contractual power to direct the management or policies of a person of a country of concern.

- "Country of concern" for now is the People's Republic of China, including Hong Kong and Macau.

Major Components of the Final Rule

Under the Final Rule, a "covered transaction" may be a "prohibited transaction" which is outright prohibited or a "notifiable transaction" which are subject to notification requirements. In addition, certain transactions that would have been considered prohibited or notifiable transactions may be exempted from the prohibition or notification requirements and may be considered an "excepted transaction" under the Final Rule if certain conditions are met. Details of the prohibited transactions, notifiable transactions and excepted transactions are set forth below.

Prohibited Transactions

Prohibited transactions refer to the prohibition on certain U.S. investments in a covered foreign person engaged in covered activities pertaining to specified categories of advanced technologies and products. A U.S. person may not engage in such transaction unless an exemption for that transaction has been granted. For instance, investments by U.S. persons in covered foreign persons engaged in the following activities in the semiconductor industry reach the threshold for "prohibited transactions" under the Final Rule:

- Developing or producing any electronic design automation software for the design of integrated circuits or advanced packaging;

- Developing or producing specified front-end semiconductor fabrication equipment, equipment for performing volume advanced packaging, or commodity, material, software, or technology designed exclusively for use in or with extreme ultraviolet lithography fabrication equipment;

- Designing (1) integrated circuits that have a total processing performance of 4800 or more, or have a total processing performance of 1600 or more and a performance density of 5.92 or more, as described in ECCN 3A090.a under the EAR or (2) integrated circuits designed for operation at or below 4.5 Kelvin;

- Fabricating any of the following advanced integrated circuits: (1) logic integrated circuits using a non-planar transistor architecture or with a production technology node of 16/14 nanometers or less, including fully depleted silicon-on-insulator (FDSOI) integrated circuits; (2) NOT-AND (NAND) memory integrated circuits with 128 layers or more; (3) dynamic random-access memory (DRAM) integrated circuits using a technology node of 18 nanometer half-pitch or less; (4) integrated circuits manufactured from a gallium-based compound semiconductor; (5) integrated circuits using graphene transistors or carbon nanotubes; or (6) integrated circuits designed for operation at or below 4.5 Kelvin;

- Packaging any integrated circuit using advanced packaging techniques.

Notifiable Transactions

Notifiable transactions refer to the transactions where the business activities conducted by a covered foreign person do not reach the threshold for prohibited transactions but still require notification by a U.S. person of their transactions to the Department of Treasury. For instance, transactions are notifiable if the covered foreign person in the semiconductor sector is engaged in the design, fabrication and packaging of any integrated circuits that do not meet the specific threshold for "prohibited transactions" under the Final Rule. A U.S. person shall file a notification of their covered transactions with the Department of Treasury.

Excepted Transactions

The Final Rule provided certain categories of excepted transactions from coverage, provided that such transactions did not afford the U.S. person certain rights beyond standard minority shareholder protection. Excepted transactions include (1) investments in publicly traded securities, (2) securities issued by investment companies, (3) certain limited partner or equivalent investments, (4) derivatives, (5) full buyouts from a person of a country of concern, (6) intracompany transactions, (7) certain syndicated debt financings, (8) equity-based compensation, and (9) certain transactions involving a person of a country or territory outside of the U.S. based on a determination by the U.S. Secretary of the Treasury.

Notably, under the Final Rule, the "publicly traded security" exception exempts the investments in publicly traded securities of covered foreign persons. However, any acquisition of an equity interest in a covered foreign person that is not yet publicly traded for the purpose of facilitating an initial public offering would not be an excepted transaction of the Final Rule.

Impact of the Final Rule

Based on the assessment conducted by our international sanctions legal adviser, we are a "covered foreign person" engaged in one of the "covered activities" (each as defined in the Final Rule) as we design (and do not fabricate or package) integrated circuits as described in the definition of "notifiable transactions" in 31 C.F.R. §850.217. The integrated circuits we design do not have a total processing performance of 4800 or more, or have a total processing performance of 1600 or more and a performance density of 5.92 or more, as described in ECCN 3A090.a under the EAR, and are not designed for operation at or below 4.5 Kelvin. Therefore, our designing of integrated circuits does not meet the threshold for "prohibited transactions" under the Final Rule, but still falls under the "notifiable transactions." Pursuant to the Final Rule, any U.S. person's acquisition of our equity interest that is not yet publicly traded for the purpose of facilitating the **[REDACTED]** may constitute "notifiable transactions," which a U.S. person may be required to file a notification within 30 days of the completion date of a "notifiable transaction."

Nevertheless, under the Final Rule, if at the time of acquisition the equity interest is publicly traded, investments by U.S. persons in such "publicly traded securities" are categorized as "excepted transactions." Accordingly, upon the completion of our **[REDACTED]** and in reliance on the publicly traded securities exception under the Final Rule, U.S. persons will be allowed to invest in our H shares without notifying the U.S. Department of Treasury, as long as the investment made does not afford a U.S. person certain rights beyond standard minority shareholder protections. Based on the foregoing, our Directors and our international sanctions legal adviser are of the view that the Final Rule will not have any material impact on the Group's operations, financial performance or investment prospect (including the **[REDACTED]** and post-**[REDACTED]** trading).

However, the Final Rule nonetheless may increase the compliance burden of U.S. investors and may cause certain U.S. investors to adopt a more cautious approach in their investments, affecting the investor sentiment towards us, and therefore negatively impacting our ability to raise capital. Even though U.S. persons' investment of certain publicly traded securities (such as **[REDACTED]** our H Share in the open market) falls under an exception in the Final Rule, the U.S. laws and regulations could still limit our ability to raise capital or contingent equity capital from U.S. investors after this **[REDACTED]** given that the relevant laws, regulations and policies continue to evolve.