

REGULATORY OVERVIEW

REGULATORY ENVIRONMENT IN THE PRC

Overview

We are a company established in China engaging in the R&D, design, and sales of code storage flash memory. Our business activities in China are subject to supervision and administration by Ministry of Industry and Information Technology (“MIIT”), other departments and industry self-regulatory institutions, with relevant businesses governed by prevailing PRC laws, regulations, rules and other normative documents. The summary of major laws and regulations applicable to our business operations are set out below, including industry access, business supervision, corporate governance, and risk control, as well as other general regulations we shall comply with, such as foreign exchange, taxation and foreign investment access. However, this is not an exhaustive description of all the laws and regulations we shall comply with.

REGULATIONS ON THE INTEGRATED CIRCUIT INDUSTRY

From 2014 to 2021, the State Council of the People’s Republic of China (the “**State Council**”) promulgated a series of policies and regulations to facilitate the development of the integrated circuit industry, including but not limited to the Outline for Advancing of the National Integrated Circuit Industry (《國家集成電路產業發展推進綱要》), the Guiding Opinions of the State Council on Deepening “Internet + Advanced Manufacturing” and Developing Industrial Internet (《國務院關於深化「互聯網+先進製造業」發展工業互聯網的指導意見》), the Several Policies for Promoting the High-Quality Development of the Integrated Circuit Industry and the Software Industry in the New Era (《新時期促進集成電路產業和軟件產業高質量發展的若干政策》) and the Notice of the Plan for Development of the Digital Economy During the “14th Five-Year” Period (《「十四五」數字經濟發展規劃的通知》).

In January 2017, the National Development and Reform Commission (“**NDRC**”) issued the Guiding Catalogue of Key Products and Services in Strategic Emerging Industries (2016 Edition) (《戰略性新興產業重點產品和服務指導目錄 (2016年版)》), which clarifies eight industries in five major areas, which are further subdivided into 174 sub-directions under 40 key directions and nearly 4,000 subdivided products and services, including CPU, MCU, memory devices, digital signal processors, embedded CPUs, communication chips, digital TV chips, multimedia chips, information security and video surveillance chips, smart card chips, automotive electronics chips, industrial control chips, smart grid chips, MEMS sensor chips, power control circuits and semiconductor power electronic devices, optoelectronic hybrid integrated circuits, etc.

The National People’s Congress (the “**NPC**”) passed the Outline of the 14th Five-Year Plan for National Economic and Social Development and Vision 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》) in March 2021, proposing that the PRC shall foster advanced manufacturing clusters and promote industrial innovation and development of integrated circuits, etc.

In December 2023, the NDRC issued the Catalogue for Guiding Industry Restructuring (2024 Version) (《產業結構調整指導目錄(2024年本)》), in which integrated circuits fall under Category 28 of the Information Industry within the Category I Encouragement. The Company’s primary business, classified under the national industry standard as integrated circuit design (I6520), is designated as an project under the Category I Encouragement of this catalog.

In March 2025, the NPC reviewed and approved the Report on the Implementation of the Central and Local budgets for 2024 and on the Draft Central and Local Budgets for 2025 (《關於2024年中央和地方預算執行情況與2025年中央和地方預算草案的報告》), which supports the development of a

REGULATORY OVERVIEW

modern industrial system by accelerating the transformation and upgrading of industries, vigorously advancing new industrialization, and strengthens support for technological innovation in the manufacturing sector by promoting the integrated development of technological innovation and industrial innovation. The Central Government allocated RMB11.878 billion in special funds for the manufacturing sector, representing an increase of 14.5%, to promote high-quality development in key manufacturing sectors and enhance the security of industrial and supply chains.

LAWS AND REGULATIONS ON FOREIGN INVESTMENT IN THE PRC

Regulations On Corporation

On December 29, 1993, the Standing Committee of the National People’s Congress (the “SCNPC”) issued the Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “**PRC Company Law**”), which was amended by the SCNPC on December 29, 2023 and implemented on July 1, 2024. All companies established in the PRC are subject to the PRC Company Law. The PRC Company Law regulates the establishment, operation, corporate structure and management of companies in China, and classifies companies into limited liability companies and joint stock limited companies. Such regulations are also applicable to foreign-invested enterprises established in the PRC.

Administration on Foreign Investment

In March 2019, the NPC promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which came into effect on January 1, 2020. Pursuant to the Foreign Investment Law, “foreign investment” refers to the investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as “**foreign investors**”) in the PRC, including the following situations: (1) a foreign investor, individually or collectively with other investors, establishes a foreign-invested enterprise in China; (2) a foreign investor acquires shares, equities, share of property, or other similar rights and interests of an enterprise within China; (3) a foreign investor, individually or collectively with other investors, invests in a new project in China; and (4) investments in other means as provided by laws, administrative regulations, or the State Council. In addition, the Foreign Investment Law also provides several protective rules and principles for foreign investors and their investments in China.

Access of Foreign Investment

Pursuant to the Foreign Investment Law, the State Council will publish or approve to publish a catalog for special administrative measures, or a “negative list”. The Foreign Investment Law grants national treatment to foreign-invested enterprises, except for those foreign-invested enterprises that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list”. The Foreign Investment Law provides that foreign-invested enterprises operating in foreign restricted or prohibited industries will require market entry clearance and other approvals from relevant PRC governmental authorities. Investment activities in the PRC by foreign investors are principally governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》), and the Catalogue of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》), promulgated and amended from time to time by the Ministry of Commerce of the PRC (“**MOFCOM**”) and the NDRC. The Negative List and Encouraging Catalogue classify foreign investment industries into three categories, namely, “encouraged”, “restricted” and “prohibited”. The currently effective Negative List is the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》), promulgated by the MOFCOM and the NDRC on September 6, 2024, and came into effect on

REGULATORY OVERVIEW

November 1, 2024. Domestic enterprises engaged in business sectors prohibited by the Negative List for the Access of Foreign Investment that seek to issue shares and list overseas shall be subject to review and approval by the relevant national competent authorities, and foreign investors are not allowed to participate in the operation and management of the enterprise and their shareholding ratios shall be implemented with reference to the relevant regulations on the management of domestic securities investment by foreign investors. In addition, on December 15, 2025, the MOFCOM and the NDRC jointly issued the Catalogue of Industries for Encouraging Foreign Investment (2025 Version) (《鼓勵外商投資產業目錄(2025年版)》), which took effect on February 1, 2026. According to the aforementioned list and catalog, investment in integrated circuit design does not fall under the restricted or prohibited categories for foreign investment.

LAWS AND REGULATIONS ON INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

Cyber Security

In November 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**”), which implemented since June 1, 2017, and was later amended on October 28, 2025 and implemented since January 1, 2026. The Cybersecurity Law stipulates that network operators must comply with laws and regulations and fulfill their responsibilities to ensure cybersecurity when conducting business operations and providing services.

Pursuant to the Measures for Cybersecurity Review (《網絡安全審查辦法》) jointly promulgated by the Cyberspace Administration of China, the MIIT, the NDRC and other authorities on December 28, 2021 and implemented since February 15, 2022, critical information infrastructure operators that purchase network products and services and network platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review.

Data Security

According to the Data Security Law of the PRC (《中華人民共和國數據安全法》) promulgated by SCNPC on June 10, 2021 and implemented on September 1, 2021, a data classification and hierarchical protection system is introduced based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. The conduct of data processing activities shall be in compliance with the provisions of laws and regulations, establishing and completing a data security management system for the entire workflow, organizing and conducting data security education and training, adopting corresponding technical measures and other necessary measures to ensure data security.

The Regulations on the Administration of Cyber Data Security (《網絡數據安全管理條例》) (the “**Cyber Data Regulations**”) promulgated by the State Council on September 24, 2024 and implemented on January 1, 2025 mainly focus on the protection of personal information, ensuring the security of important data, establishing a cross-border data safety management mechanism, and regulating network platform service providers. The regulation governs online data processing activities, ensures the security of online data, and promotes the lawful, reasonable and effective use of online data.

REGULATORY OVERVIEW

LAWS AND REGULATIONS ON PROPERTY LEASING

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020 and implemented on January 1, 2021, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. The lessee may, subject to the consent of the lessor, lease 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.

Pursuant to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010 and implemented on February 1, 2011, within 30 days after the conclusion of the house leasing contract, the lessor and the lessee shall carry out house leasing registration with the construction (real estate) administrative department of the people’s government of a municipality directly under the Central Government of the PRC, city or county where the house leased is located. Where relevant lease registration and filing procedures have not been completed, the construction (real estate) administrative department of the people’s government of a municipality directly under the Central Government of the PRC, city or county shall order rectification within a specified time limit. If any parties involved in the lease agreement fail to do so, a fine of more than RMB1,000 but less than RMB10,000 will be imposed.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, last revised on October 17, 2020 and effective from June 1, 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001, last amended on December 11, 2023 and effective from January 20, 2024. The patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of the provincial, autonomous regions or municipal governments are responsible for the administration of patents within their respective administrative areas. The Chinese patent system adopts a “first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. Invention patents are valid for 20 years, while utility model patents are valid for 10 years and design patents are valid for 15 years, all starting from the date of application. No entity or individual may exploit the patent without the permission of the patentee.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”) promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and implemented on June 1, 2021, and the Implementation Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) published by the State Council on August 2, 2002, last amended on January 30, 2013 and amended on March 1, 2013, works of PRC citizens, legal persons or unincorporated organizations, whether published or not, shall enjoy copyright. Works refer to

REGULATORY OVERVIEW

intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form. Copyrights include personal rights such as the right of publication and the right of authorship, as well as property rights such as the right of reproduction and the right of distribution.

According to the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001, and last amended on January 30, 2013 and implemented on March 1, 2013, computer software protected under this regulation must be developed independently by the developer and must be already in a material form. Chinese citizens, legal persons, or other organizations own copyright for the software developed by them (whether published or not) under the regulations. Software copyright arises from the date of completion of software development. The protection period of the software copyright of legal persons shall be 50 years, ending on 31 December of the fiftieth year after the first publication of the software. Software which has not been published for 50 years since the date of completion of software development shall not be protected by the regulation. Copyright owners of software may complete the registration with a software registration agency recognized by the copyright authority of the State Council. According to the Measures for Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) (partially amended in 2004) issued and implemented by the National Copyright Administration on February 20, 2002, the National Copyright Administration is in charge of the management of software copyright registration nationwide, and the National Copyright Administration recognizes the Copyright Protection Center of China as a software registration institution.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019 and implemented from November 1, 2019, and the Implementation Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, amended on April 29, 2014 and implemented from May 1, 2014, in China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The trademark registrant shall have the exclusive right to use the trademark, which is protected by law. The Trademark Office of China National Intellectual Property Administration (“**The Trademark Office**”) is responsible for trademark registrations and management in China. The registered trademark is valid for a term of 10 years, commencing from the date of registration. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A trademark registrant may license its registered trademark to others by entering into a trademark license contract. Using a trademark that is identical with or similar to a registered trademark with respect to the same kind of or similar commodities without the authorization of the trademark registrant constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Domain Names

According to the Administration Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and implemented on November 1, 2017, the MIIT shall supervise and manage the domain names services nationwide. The registration service of domain names follows a “first come, first file” principle, unless otherwise stipulated by the corresponding implementation rules for domain name registration. The registration of domain names is handled through domain name registration service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

REGULATORY OVERVIEW

Layout Designs of Integrated Circuits

Pursuant to the Regulations on the Protection of Layout-Designs of Integrated Circuits (《集成電路布圖設計保護條例》) issued by the State Council on April 2, 2001, and effective from October 1, 2001, the owner of an integrated circuit layout design shall have exclusive rights to their design. The exclusive rights to the layout design arise upon registration with the intellectual property administration department of the State Council, and layout designs that have not been registered are not protected by the regulations. The protection period for the exclusive rights of a layout design of integrated circuits is 10 years, starting from the date of application for registration of the design or from the date of putting it into commercial exploitation somewhere in the world for the first time, whichever is earlier. However, whether or not the design is registered or commercially used, it is no longer protected by the regulations 15 years after the date of completion of the design.

Licensing for software and patents

Our Group adopts a fabless business model and is principally engaged in the research, development, design and sales of chips. Licensing is required for the following items used by our Group in our operation:

(1) licensing for software

Our Group uses licensed electronic design automation software tools for the research, development and design of chips. We also use various licensed software for our daily operation, which primarily includes SQL Server, WinPro, Windows Server, Microsoft 365 and WPS 365. The above software was licensed by independent software providers. We have entered into licensing agreements with each of such software providers, which remain valid and effective.

(2) licensing for patents

During our ordinary course of business operation, our Group uses five patents licensed by an independent supplier in respect of certain technologies. We have entered into licensing agreements with such supplier, which remain valid and effective.

REGULATIONS ON FOREIGN EXCHANGE CONTROL

Pursuant to the Regulations on the Management of Foreign Exchange 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 last amended and implemented on August 5, 2008, China’s foreign exchange transactions can be categorized into current account items (such as trade-related receipts and payments) and capital account items (such as direct equity investments and loans). Funds under either current or capital account items may only be remitted in or out through foreign exchange transactions (such as settlement or purchase) after obtaining necessary approvals and passing reasonable reviews.

Pursuant to the Circular on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) promulgated and implemented by the State Administration of Foreign Exchange on April 10, 2020, under the prerequisite of ensuring true and compliant use of funds and complying with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to use income under the capital account, such as capital funds, foreign debt, and proceeds from overseas listing, for domestic payment without the need of providing materials to the bank in advance for authenticity verification on an item by item basis.

REGULATORY OVERVIEW

On December 4, 2023, the State Administration of Foreign Exchange issued and implemented the Notice on Further Deepening Reforms to Facilitate Cross-Board Trade and Investment (《關於進一步深化改革促進跨境貿易投資便利化的通知》), which provides that the equity transfer consideration funds in foreign currency received by a domestic equity transferor (including institutions and individuals) from domestic entities, as well as the foreign exchange funds raised by domestic enterprises through overseas listing, may be directly remitted to the settlement account of capital accounts. Funds in the settlement account of capital accounts may be settled and used at discretion.

The Guidelines for Foreign Exchange Business under Capital Accounts (2024 Edition) (《資本項目外匯業務指引(2024年版)》), which was issued by the State Administration of Foreign Exchange on April 3, 2024 and came into effect from May 6, 2024, stipulates that the funds raised by domestic enterprises through overseas listing shall, in principle, be repatriated to China in a timely manner, either in RMB or foreign currency.

The People’s Bank of China and the SAFE jointly promulgated the Notice of on Issues Concerning the Administration of Funds of Domestic Enterprises Listed Overseas (《關於境內企業境外上市資金管理有關問題的通知》) on December 24, 2025, which came into effect on April 1, 2026. The Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) was repealed simultaneously. According to the notice, funds raised by domestic enterprises through overseas listings and proceeds from domestic shareholders reducing their holdings or transferring shares of domestic enterprises listed overseas may be repatriated in either foreign currency or RMB. Issuers participating in the H-Share “full circulation” shall distribute dividend payments to domestic shareholders directly within China in RMB through CSDC. In principle, such funds shall be repatriated to China in a timely manner. If such funds are retained overseas for conducting overseas direct investment, overseas securities investment, overseas lending, or similar activities, domestic enterprises raising funds through overseas listings shall obtain approval or filing documents from the competent authorities before the completion of the overseas listing issuance or the completion of the over-allotment, and shall comply with relevant cross-border capital management regulations.

LAWS AND REGULATIONS ON OVERSEAS DIRECT INVESTMENT

According to the Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》), which was promulgated by the State Administration of Foreign Exchange on July 13, 2009 and came into effect on August 1, 2009, domestic enterprises may apply for foreign exchange registration for overseas direct investment after obtaining approval for overseas investment. In addition, according to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated by the State Administration of Foreign Exchange on February 13, 2015 and came into effect on June 1, 2015, the administrative approval for foreign exchange registration for overseas direct investment has been canceled, and banks are entitled to directly review and conduct the foreign exchange registration for overseas direct investment.

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) which was issued by the MOFCOM on September 6, 2014 and became effective on October 6, 2014, the MOFCOM and competent commerce authorities at the provincial level shall, depending on the specific circumstances of an enterprise’s overseas investment, implement separate filing and approval procedures. Overseas investment involving sensitive countries or regions or sensitive industries shall be subject to approval management. Overseas investment under other circumstances shall be subject to

REGULATORY OVERVIEW

filing management. The commerce authorities manage enterprises’ overseas investments through the overseas investment management system and issue “Enterprise Overseas Investment Certificates” (《企業境外投資證書》) to enterprises that have been registered or approved.

Pursuant to Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and became effective on March 1, 2018, sensitive projects carried out by investors directly or through overseas enterprises controlled by them shall be subject to approval. The approving authority is the NDRC. Non-sensitive projects directly carried out by investors shall be subject to filing management. The aforementioned “sensitive project” means a project involving a sensitive country or region or a sensitive industry. In addition, the NDRC promulgated the List of Sensitive Sectors for Outbound Investment (2018 Version) (《境外投資敏感行業目錄(2018年版)》) on January 31, 2018 and became effective on March 1, 2018 to list the current sensitive industries in detail.

LAWS AND REGULATIONS ON IMPORTS AND EXPORTS

According to the Foreign Trade Law of the People’s Republic of China (《中華人民共和國對外貿易法》) formulated by the SCNPC on May 12, 1994, last amended on December 27, 2025 and came into effect on March 1, 2026, the competent department of foreign trade under the State Council or its authorized institution shall grant a license to the consignee or consignor who applies for automatic licensing prior to completing customs clearance formalities for imports and exports subject to automatic licensing. For the import and export of technologies that are subject to free import and export, the contract filing and registration with the competent department of foreign trade under the State Council or its authorized institution shall be completed.

According to the Customs Law of the People’s Republic of China (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 and last amended on April 29, 2021, the Customs of the People’s Republic of China serves as the PRC’s entry and exit customs supervision and administration authority. All the transports, goods and articles shall enter into or exit from the territory of the PRC at a place where a customs office is established. The customs declaration and duty payment formalities may be undergone by the consignees or consignors of imported and exported goods, or by the customs clearing enterprises entrusted by such consignees or consignors. The consignees or consignors of imported and exported goods and the customs clearing enterprises shall file records with the customs when undergoing customs declaration formalities, otherwise may be imposed fines by the customs. According to Announcement on Fully Including the Recordation of Customs Declaration Entities in the Reform of “Integrating Certificates into One” (《關於報關單位備案全面納入「多證合一」改革的公告》) jointly issued by the General Administration of Customs and the State Administration for Market Regulation on December 20, 2021 and effective from January 1, 2022, where an applicant intends to be filed as a customs declaration entity when undergoing the registration formalities as a market entity with the market regulation authorities, it shall tick the box of filing as a customs declaration entity as required and fill in the relevant information for filing. The market regulation authorities will then complete the registration pursuant to procedures of “Integrating Certificates into One” and share the relevant information with the General Administration of Customs on the State Administration for Market Regulation level. Such applicants are no longer required to submit applications for filing as a customs declaration entity to the customs.

REGULATORY OVERVIEW

LAWS AND REGULATIONS ON TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) promulgated by the NPC on March 16, 2007, last amended on December 29, 2018 and implemented on the same day, and the Regulation on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) enacted by the State Council on December 6, 2007, became effective on January 1, 2008 and last amended on December 6, 2024, “resident enterprises” are defined as enterprises that are established in China in accordance with the PRC laws, or that are established in accordance with the laws of foreign countries (regions) but whose actual management is conducted within China. Resident enterprises are subject to enterprise income tax on their income derived from both within and outside China. An enterprise income tax rate of 25% is applied. High-tech enterprises that require key state support are subject to a reduced enterprise income tax rate of 15%. The enterprise income tax rate is reduced by 20% for qualified small low-profit enterprises.

Value-Added Tax

On December 25, 2024, the SCNPC promulgated the Value-Added Tax Law of the People’s Republic of China (《中華人民共和國增值稅法》), which came into effect on January 1, 2026. Upon its implementation, the Interim Regulation of the People’s Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例》) was repealed simultaneously. According to the provisions of the Value-Added Tax Law of the People’s Republic of China (《中華人民共和國增值稅法》), all enterprises and individuals, including individual industrial and commercial proprietors, engaged in the sale of goods, services, intangible assets, real property and the import of goods within the PRC territory are VAT taxpayers and subject to value-added tax. Unless otherwise stipulated, the tax rate is 13% for taxpayers engaged in the sale of goods, provision of processing, repair and replacement services, sales of services, tangible movable property leasing services or import of goods, and under certain circumstances, taxpayers shall be subject to a tax rate of 9%, 6% or 0%.

Preferential Tax Policy for the Integrated Circuit Industry

According to the Guidelines on Tax Preference Policies for Software and Integrated Circuit Enterprises (2022) (《軟件企業和集成電路企業稅費優惠政策指引(2022)》) promulgated by the STA in May 2022, the integrated circuit industry enjoys a variety of tax preferences, including but not limited to the following: enterprises of integrated circuit design, equipment, materials, packaging and testing and software enterprises encouraged by the PRC may enjoy regular exemption or reduction of the enterprise income tax; key integrated circuit design enterprises encouraged by the PRC may enjoy the regular exemption or reduction of enterprise income tax; staff training expenses of integrated circuit design enterprises can be deducted before tax according to the actual amount incurred.

In addition, in accordance with the Notice of Import Tax Policies for Supporting 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的通知》) promulgated by the MOF, the General Administration of Customs and the STA on March 16, 2021 and came into effect on July 27, 2020, import behaviors that conform to the circumstances listed in this regulation are exempt from import duties. The implementation period is from July 27, 2020 to December 31, 2030. The Notice of the Additional Value-Added Tax Credit Policy for Integrated Circuit Enterprises (《關於集成電路企業增值稅加計抵減政策的通知》) issued by the MOF and STA on April 20, 2023 and came into effect on January 1, 2023, states that from January 1,

REGULATORY OVERVIEW

2023 to December 31, 2027, enterprises engaged in the design, production, closed beta test, equipment and materials of integrated circuits are allowed to deduct extra 15% of the deductible input tax in the current period from the value-added tax payable.

LAWS AND REGULATIONS ON DIVIDEND DISTRIBUTION

Profit Distribution System

The principal laws and regulations regulating the distribution of dividends by foreign-invested enterprises in China include the PRC Company Law, the Foreign Investment Law and the Regulation for Implementing the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法實施條例》). Under the current regulatory regime in China, foreign-invested enterprises in China may pay dividends only out of their undistributed profits determined in accordance with the PRC accounting standards and regulations. After distributing the after-tax profits for the year, the PRC companies (including foreign-invested enterprises) shall set aside 10% of their after-tax profits as the statutory reserve fund. When the aggregate balance in the statutory reserve fund reaches 50% or more of a company’s registered capital, the company need not make any further allocations to that fund. Where the statutory reserve fund of a company is not enough to make up its losses for the preceding year, the current year’s profits shall be used first to make up the losses before being allocated to the preceding statutory reserve fund. Subject to a resolution of the shareholders’ general meeting, after allocation has been made to a company’s statutory reserve fund from its after-tax profits, the company may set aside funds for the discretionary reserve fund.

According to the Foreign Investment Law, the capital contributions, profits, capital gains, proceeds from asset disposal, licensing fees of intellectual property rights, indemnity or compensation legally obtained, or proceeds received upon settlement by foreign investors within China, may be freely remitted inward and outward in RMB or a foreign currency.

Dividend Withholding Tax

According to the Reply on the Imposition of Enterprise Income Tax on Dividends of B Shares and Other Shares Received by Non-resident Enterprises (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was promulgated and implemented by the STA on July 24, 2009, the PRC resident enterprises that publicly issue and list shares (A shares, B shares or overseas shares) on stock exchanges in or outside the PRC shall withhold enterprise income tax at a rate of 10% on dividends of 2008 and thereafter distributed to non-resident enterprise shareholders. Non-resident enterprise shareholders entitled to preferential tax treatment shall make registration in accordance with the relevant provisions of the tax treaties.

According to the Notice on Tax Policies Concerning the Pilot Program of Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) issued by the MOF, the STA and China Securities Regulatory Commission (“CSRC”) on October 31, 2014 and implemented on November 17, 2014, (1) for dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H share companies shall apply to China Securities Depository and Clearing Corporation Limited (“CSDC”) for the provision of a register of domestic individual investors from CSDC to the H share companies, based on which the H share companies shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. Individual investors who have paid the withholding tax abroad may apply for a tax credit with the competent tax authorities under CSDC with a valid tax deduction certificate. Dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect shall be subject to

REGULATORY OVERVIEW

the individual income tax as mentioned above. (2) Dividends received by domestic enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be included in their total income and shall be subject to the enterprise income tax according to the laws. Among which, dividends received by domestic resident enterprises which have been holding the H shares continuously for no less than 12 months shall be exempted from the enterprise income tax according to the laws.

Pursuant to the Arrangement Between Chinese Mainland 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 and Capital (《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》), for dividends paid by Chinese Mainland resident companies to Hong Kong residents in China, if the beneficial owner of the dividends is a company directly owning at least 25% of the capital of the company which pays the dividends, the tax levied shall not exceed 5% of the total dividends. In other circumstances, the tax levied shall not exceed 10% of the total dividends.

LAWS ON PRODUCT QUALITY

According to the Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993, latest amended on December 29, 2018 and took effect on the same day, producers and sellers shall establish a sound internal product quality control system, strictly adhere to a job responsibility system in relation to quality standards and quality liabilities, and implement corresponding examination and inspection measures. The forgery or imitation of quality marks such as certification marks is prohibited; falsifying the place of origin of product, and falsifying or imitating the name or address of another factory is prohibited; adulteration of, or mixing of improper elements with products under manufacturing or on sale, passing off the sham as the genuine or passing off the inferior as the superior is prohibited.

LAWS AND REGULATIONS ON LABOR

Labor Law and Labor Contract Law

According to the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and last amended on December 29, 2018 and took effect on the same day, the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007 and last amended on December 28, 2012 and took effect on July 1, 2013, and the Regulation on the Implementation of the Employment Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008 and took effect on the same day, employers are required to establish a comprehensive management system according to the laws to protect the labor rights and fulfillment of labor obligations their employees. A written labor contract must be concluded if a labor relationship is to be established between any employer and employee. A labor contract shall contain the following terms: duration of the labor contract; the content and location of the work; working hours and rest and vacation; remuneration for labor; social insurance; labor protection, working conditions, and protection against occupational hazards; as well as other matters stipulated by laws and regulations that should be included in the labor contract.

Social Insurance and Housing Provident Funds

In accordance with the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, last amended on December 29, 2018 and became effective on the same day, as well as other relevant provisions, an employee shall

REGULATORY OVERVIEW

participate in five types of social insurance funds, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. Where an employer fails to pay the aforementioned social insurance contribution in accordance with relevant regulations, it may be ordered to rectify, make the payment or pay the shortfall within a prescribed time limit. If the employer still fails to pay the contribution within the prescribed time, a fine may be imposed.

In accordance with the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, last amended on March 24, 2019, and became effective on the same day, an employer shall register with the competent managing center for housing provident funds and contribute to the housing provident funds for its employee. Where an employer fails to pay up housing provident funds within the prescribed time limit, the employer may be ordered to make payment within a certain period, where the payment has not been made after the expiration of the time limit, an application may be made to the court for compulsory enforcement.

According to the Interpretation (II) of the Supreme People’s Court on Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) promulgated by the Supreme People’s Court on July 31, 2025 and came into effect on September 1, 2025, any agreement between an employer and an employee, or any commitment by an employee to an employer, which stipulates that there is no need to pay social insurance premiums, shall be deemed invalid by the People’s Court. 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 of the PRC, the People’s Court shall support such claims in accordance with the law.

LAWS AND REGULATIONS ON SECURITIES AND FILING FOR OVERSEAS LISTINGS

Laws and Regulations on Securities

The Securities Law of the People’s Republic of China (《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. The Securities Law of the People’s Republic of China (《中華人民共和國證券法》) 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. CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, and maintain order in the market.

Filing for Overseas Listings

According to the Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) together with regulatory rules and applicable guidelines, which were promulgated by CSRC on February 17, 2023 and effective on March 31, 2023, a unified filing management is implemented for direct and indirect overseas issuance and listing of securities by domestic enterprises, and the issuer shall perform filing procedures and report relevant information to the securities regulatory authority under the State Council. The issuer that seeks to list its securities in overseas markets directly is required to file the application documents for overseas offering and listing with CSRC within 3 working days after its submission of the application.

REGULATORY OVERVIEW

According to the Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》), it stipulates that no overseas offering and listing shall be made by domestic enterprises under any of the following circumstances: (1) it is clearly prohibited from listing for financing by national laws, administrative regulations and relevant provisions; (2) overseas offering or listing will threaten or jeopardize national security as reviewed and determined by the relevant competent authorities of the State Council in accordance with the law; (3) the domestic enterprises and their controlling shareholders, de facto controllers have committed corruption, bribery, embezzlement, misappropriation of property or criminal offenses that disrupted the socialist market economic order within the last three years; (4) the domestic enterprises are being investigated according to law because of suspected crime or material violations of laws and regulations and no explicit conclusion or opinion has yet been made thereof; (5) there are material ownership disputes over equity held by the controlling shareholder or by other shareholders that are controlled by the controlling shareholders or de facto controllers.

Pursuant to the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which was promulgated by CSRC, the MOF, the National Administration of State Secrets Protection and the National Archives Administration of China on February 24, 2023 and implemented since March 31, 2023, a domestic enterprise that provides publicly discloses or provides to relevant entities or individuals including securities companies, securities service providers and overseas regulators any document and materials that contain state secrets or working secrets of government authorities, shall first obtain approval from competent authorities that are with approval authorities according to the law, and file with the secrecy administrative department at the same level. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas offering and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the PRC.