
REGULATORY OVERVIEW

This section provides a brief summary of the major laws, regulations, and policies that have a significant impact on the Group’s operations in the PRC and South Korea.

PRC LAWS, REGULATIONS AND POLICIES

The following provides an overview of the major PRC laws, regulations, and policies related to the Company’s current daily business operations in the PRC.

POLICIES RELATED TO THE INTEGRATED CIRCUIT INDUSTRY

In June 2014, the State Council of the People’s Republic of China (the “State Council”) issued the National Guidelines for the Development and Promotion of the Integrated Circuit Industry (《國家集成電路產業發展推進綱要》), outlining the development goals for the integrated circuit industry.

In November 2016, the State Council issued the Notice of the State Council on Issuing the 13th Five-Year National Plan for the Development of Strategic Emerging Industries (《國務院關於印發「十三五」國家戰略性新興產業發展規劃的通知》), launching a major productivity layout planning project for the integrated circuit industry.

In July 2020, the State Council issued the Several Policies for Promoting High-Quality Development of the Integrated Circuit and Software Industries in the New Era (《新時期促進集成電路產業和軟件產業高質量發展若干政策》). To further optimize the development environment for integrated circuit and software industries, deepen international cooperation, and enhance innovation capabilities and development quality, the policies introduced a series of supportive measures covering taxation, investment and financing, R&D, import/export, talent development, intellectual property, market applications, and international collaboration.

In December 2020, the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission (“NDRC”), and the Ministry of Industry and Information Technology (“MIIT”) jointly released the Announcement on Corporate Income Tax Policies to Promote High-Quality Development of the Integrated Circuit and Software Industries (《關於促進集成電路產業和軟件產業高質量發展企業所得稅政策的公告》). Under these provisions, key state-encouraged integrated circuit design and software enterprises are exempt from corporate income tax for the first five profitable years, followed by a reduced tax rate of 10% in subsequent years.

In March 2021, the National People’s Congress (“NPC”) approved the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through 2035 of the People’s Republic of China (《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 outlined plans to cultivate advanced manufacturing clusters. The plan emphasizes innovation and development in industries such as integrated circuits, aerospace equipment, shipbuilding and marine engineering equipment, robotics, advanced rail transit equipment, advanced power equipment, construction machinery, high-end CNC machine tools, pharmaceuticals, and medical devices.

Also in March 2021, the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration jointly issued the Notice on Import Tax Policies to Support the Development of the Integrated Circuit and Software Industries (《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》). Eligible import activities under the policy are exempt from import tariffs, with the measure effective from 27 July 2020 to 31 December 2030.

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In December 2021, the State Council issued the Notice of the State Council on Issuing the 14th Five-Year Plan for the Development of the Digital Economy (《國務院關於印發「十四五」數字經濟發展規劃的通知》), emphasizing that during the 14th Five-Year Plan period, efforts should be made to enhance innovation capabilities in key technologies. The plan calls for focusing on strategic and forward-looking fields such as sensors, quantum information, network communications, integrated circuits, critical software, big data, artificial intelligence, blockchain, and new materials.

In May 2022, the State Taxation Administration issued the Tax and Fee Preferential Policy Guide for Software Enterprises and Integrated Circuit Enterprises (《軟件企業和集成電路企業稅費優惠政策指引》). To facilitate timely access to applicable tax incentives, the guide clarifies preferential terms, eligibility criteria, and policy bases for integrated circuit enterprises. For instance, state-encouraged integrated circuit design, equipment, material, and packaging/testing enterprises may enjoy periodic corporate income tax reductions & exemptions; key state-encouraged integrated circuit design enterprises can enjoy periodic corporate income tax reductions & exemptions; and employee training expenses of integrated circuit design enterprises may be fully deducted before tax based on actual expenditures.

In April 2023, the Ministry of Finance and the State Taxation Administration jointly issued the Notice on Value-Added Tax Additional Deduction Policy for 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》), permitting enterprises engaged in integrated circuit design, production, packaging/testing, equipment, and materials to deduct an additional 15% of creditable input VAT from payable VAT amounts during the period from 1 January 2023 to 31 December 2027.

LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT

The establishment, operation, and governance of PRC business entities are regulated by the Company Law of the People’s Republic of China (the “PRC Company Law”), which was promulgated by the Standing Committee of the National People’s Congress (“NPC Standing Committee”) on 29 December 1993, and most recently amended on 29 December 2023, with the amendments taking effect on 1 July 2024. Limited liability companies and joint stock limited companies incorporated in the PRC are subject to the PRC Company Law. Unless otherwise stipulated by foreign investment laws, foreign-invested enterprises are also governed by the PRC Company Law.

The Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》), promulgated by the National People’s Congress on 15 March 2019 and effective from 1 January 2020, establishes China’s pre-establishment national treatment with negative list management system for foreign investment. Furthermore, the Implementing Regulations of 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》) (“Implementing Regulations”), promulgated by the State Council on 26 December 2019 and effective from 1 January 2020, stipulate that the state shall formulate the Catalogue of Encouraged Industries for Foreign Investment based on national economic and social development needs, specifying particular industries, sectors and regions where foreign investment is encouraged and guided.

LAWS AND REGULATIONS ON CYBER AND DATA SECURITY

According to the National Security Law of the People’s Republic of China promulgated by the NPC Standing Committee and effective from 1 July 2015, national security means a status in which the state regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other major interests of the state are relatively not faced with any danger and not threatened internally or externally and the capability to maintain a sustained security status.

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Pursuant to the PRC Cybersecurity Law promulgated by the NPC Standing Committee on 7 November 2016 and effective from 1 June 2017, those which build or operate networks or provide services through networks shall take technical measures and other necessary measures in accordance with laws, administrative regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities committed on the network, and maintain the integrity, confidentiality and availability of network data.

Pursuant to the PRC Data Security Law promulgated by the NPC Standing Committee on 10 June 2021, which became effective on 1 September 2021, China shall establish a data classification and grading protection system to provide classified and graded protection of data. In data processing, the laws and regulations shall be complied with, a sound data security management system throughout the whole process shall be established, data security education and training shall be organized and conducted, and corresponding technical measures and other necessary measures shall be adopted to ensure data security.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY

Patent

According to the Patent Law of the People’s Republic of China (the “Patent Law”) promulgated by the NPC Standing Committee on 12 March 1984, last amended on 17 October 2020 and effective from 1 June 2021 and the Implementing Regulations of the Patent Law of the People’s Republic of China promulgated by the State Council on 15 June 2001, last amended on 11 December 2023 and effective from 20 January 2024, patents are divided into 3 categories, i.e. invention patents, utility model patents and design patents.

Trademark

According to the Trademark Law of the People’s Republic of China promulgated by the NPC Standing Committee on 23 August 1982, last amended on 23 April 2019 and effective from 1 November 2019 and the Regulations for the Implementation of the Trademark Law of the People’s Republic of China promulgated by the State Council on 3 August 2002, last amended on 29 April 2014 and effective from 1 May 2014, registered trademarks are those that have been approved and registered by the Trademark Office. Trademark registrants shall enjoy the right to exclusive use of their trademarks and shall be protected by law.

Copyright

According to the Copyright Law of the People’s Republic of China, which was promulgated by the NPC Standing Committee on 7 September 1990 and last amended on 11 November 2020 and came into effect on 1 June 2021, and the Regulations for the Implementation of the Copyright Law of the People’s Republic of China promulgated by the State Council on 2 August 2002, last amended on 30 January 2013 and effective from 1 March 2013, works of Chinese citizens, legal persons or unincorporated organizations, whether published or not, are entitled to copyright in accordance with the law.

According to the Computer Software Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council on 20 December 2001, last amended on 30 January 2013 and effective from 1 March 2013 and the Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on 20 February 2002, computer software refers to computer programs and their related documentation. Chinese citizens, legal persons or other organizations enjoy copyright in the software they develop, regardless of whether it is published or not.

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Integrated Circuit Layout Design

According to the Regulations on the Protection of Layout-Designs of Integrated Circuits (the “Regulations”) promulgated by the State Council on 2 April 2001 and effective from 1 October 2001, any layout-design created by a Chinese natural person, legal person or other organization shall be eligible for the exclusive right of layout-design in accordance with the Regulations. The exclusive right of layout-design is acquired after its being registered with the intellectual property administration department of the State Council.

Domain Name

According to the Measures for the Administration of Internet Domain Names promulgated by the MIIT on 24 August 2017 and effective from 1 November 2017, MIIT shall conduct supervision and administration of the domain name services nationwide. No organization or individual may obstruct the safe and stable operation of the Internet domain name system.

REGULATIONS RELATED TO HOUSE LEASING

According to the Law of the People’s Republic of China on the Administration of the Urban Real Estate, which was promulgated by the NPC Standing Committee on 5 July 1994, last amended on 26 August 2019, and effective from 1 January 2020, in the leasing of a house, the leaser and the lessee shall conclude a written lease contract defining such matters as the term, purpose and price of the lease, liability for repair, as well as other rights and obligations of both parties, and shall register the leasing with the department of housing administration for the record.

LAWS AND REGULATIONS RELATED TO PRODUCT QUALITY

According to the Product Quality Law of the People’s Republic of China promulgated by the NPC Standing Committee on 22 February 1993 and last amended on 29 December 2018, the manufacturers and sellers shall establish and perfect their internal management of product quality, strictly implement quality criteria for various posts, specify quality liabilities, and make checks accordingly. It is prohibited to forge or falsely use product quality marks such as authentication marks. It is prohibited to forge the origin of products, to forge or falsely use other’s factory name or address. It is prohibited to adulterate, to pass a fake product off as a genuine one, or to pass a defective product off as a high quality one.

LAWS AND REGULATIONS RELATED TO IMPORT AND EXPORT TRADE

According to the Customs Law of the People’s Republic of China promulgated by the NPC Standing Committee on 22 January 1987 and last amended on 29 April 2021, unless otherwise provided for, the declaration of import or export goods and the payment of duties and taxes may be completed by the exporters or importers on their own, and such formalities may also be completed by their entrusted Customs clearing agent. The importer or exporter of import or export goods, and the Customs clearing agent shall be registered with the Customs according to law to make the Customs declarations.

According to the Foreign Trade Law of the People’s Republic of China promulgated by the NPC Standing Committee on 12 May 1994 and last amended on 30 December 2022, and the Regulation of the People’s Republic of China on the Administration of the Import and Export of Goods promulgated by the State Council on 10 December 2001, last amended on 10 March 2024, and effective from 1 May 2024, unless it is clearly provided in laws or administrative regulations to forbid or restrict the import or export of goods, no entity or individual may establish or maintain prohibitive or restrictive measures over the import or export of goods.

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According to the Export Control Law of the People’s Republic of China promulgated by the NPC Standing Committee on 17 October 2020 and effective from 1 December 2020, the state exercises control on the export of dual-use items, military products, nuclear, and other goods, technologies and services related to safeguarding national security and interest or performing nonproliferation and other international obligations. The state export control authorities shall, in accordance with the provisions of the Export Control Law and other relevant laws and administrative regulations, as well as export control policies and prescribed procedures, formulate and revise the list of controlled items for export in conjunction with relevant departments, and publish the list in a timely manner. For the purposes of safeguarding national security and interest or performing nonproliferation and other international obligations, the state export control authorities may, upon the approval of the State Council or both the State Council and the Central Military Commission, impose temporary control on goods, technologies or services outside the control list, and make an announcement thereon.

LAWS AND REGULATIONS RELATED TO LABOUR AND SOCIAL SECURITY

Labour Law and Labour Contract Law

According to the Labour Law of the People’s Republic of China, which was last amended by the NPC Standing Committee on 29 December 2018, and the Labour Contract Law of the People’s Republic of China, which was last amended by the NPC Standing Committee on 28 December 2012 and effective from 1 July 2013, a labour contract shall be concluded where a labour relationship is to be established. The employing units shall establish and perfect the labour rules and regulations in accordance with the law so as to ensure that labourers enjoy the right to work and fulfill labour obligations.

Social Insurance and Housing Provident Funds

According to the Social Insurance Law of the People’s Republic of China, which was last amended and implemented by the NPC Standing Committee on 29 December 2018, and the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was last amended and implemented by the State Council on 24 March 2019, a social insurance system consisting of a basic old-age insurance, basic medical insurance, work injury insurance, unemployment insurance, and maternity insurance has been established. Contributing entities shall register for social insurance with the local social insurance agency and participate in social insurance. Contributing entities and contributing individuals shall pay social insurance premiums on time and in full.

According to the Regulations on Management of Housing Provident Fund, which was last amended and implemented by the State Council on 24 March 2019, a unit shall go to the housing provident fund management center to undertake registration of payment and deposit of the housing provident fund and go through the formalities of opening housing provident fund accounts on behalf of its staff. A unit shall pay and deposit housing provident funds on schedule and in full. On September 1, 2025, 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)》) came into effect. According to this interpretation, among others, where the employer and the employee agree, or the employee promises the employer, that there is no need to make social insurance contributions, the people’s court shall determine that such agreement or promise is invalid. Where the employer fails to make social insurance contributions in accordance with the law, and the employee requests to terminate the labor contract and claim economic compensation in accordance with item (3) of Article 38 of the Labor Contract Law, the people’s court shall uphold such claim.

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LAWS AND REGULATIONS RELATED TO TAXATION

Enterprise Income Tax

According to the Law on Enterprise Income Tax and its relevant implementing regulations, the uniform rate of enterprise income tax is 25%. However, where a non-resident enterprise has not set up any institutions or establishments in China, or it has done so but the income it earns is not actually relevant to the said institutions or establishments, it shall pay tax on the portion of its income generated from inside China at a rate of 10%.

According to the Law of the People’s Republic of China on Enterprise Income Tax, which was promulgated by the NPC Standing Committee and last amended and implemented on 29 December 2018, and the Regulation on the Implementation of the Law of the People’s Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council, last amended on 6 December 2024, and effective from 20 January 2025, a uniform enterprise income tax rate of 25% is levied on foreign-invested enterprises and domestic enterprises, with enterprise income tax incentives granted to special industries and projects. With respect to a qualified small enterprise earning low profits, the tax levied on its income shall be reduced at a rate of 20%. With respect to a high and new technology enterprise that needs key support by the PRC government, the tax levied on its income shall be reduced at a rate of 15%.

FOREIGN EXCHANGE-RELATED LAWS AND REGULATIONS

Pursuant to the Regulation of the People’s Republic of China on Foreign Exchange Administration, as last amended by the State Council on 5 August 2008, this Regulation shall apply to the foreign exchange income and expenditure and foreign exchange business operations of Chinese institutions and individuals, and the foreign exchange income and expenditure and foreign exchange business operations conducted within the territory of the People’s Republic of China by overseas institutions and individuals.

According to the Circular of the SAFE on the Policies for Reforming and Standardizing Management of Foreign Exchange Settlement under the Capital Account, issued by the SAFE on 9 June 2016, it has been clarified that capital account foreign exchange income subject to voluntary settlement (including foreign exchange capital funds, foreign debt funds, and repatriated proceeds from overseas listings) may be settled at banks based on the actual business needs of the domestic institution. Where existing laws and regulations impose restrictive provisions on the settlement of capital account foreign exchange income by domestic institutions, such provisions shall prevail.

LAWS AND REGULATIONS RELATED TO OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC ENTERPRISES

Securities Laws and Regulations

The Securities Law of the People’s Republic of China (the “Securities Law”), as most recently amended by the NPC Standing Committee on 28 December 2019 and effective from 1 March 2020, comprehensively regulates securities market activities within the territory of China. These include the issuance and trading of securities, acquisition of listed companies, information disclosure, investor protection, securities trading venues, securities companies, securities registration and settlement institutions, securities service providers, securities associations, and securities regulatory authorities. The Securities Law further provides that domestic enterprises conducting direct or indirect offerings of securities overseas or seeking overseas listings of their securities shall comply with relevant regulations of the State Council. Where shares of domestic companies are subscribed for and traded in foreign currencies, specific measures shall be separately formulated by the State Council. The (CSRC is the securities regulatory authority established by the State Council, responsible for supervising and regulating the securities market in accordance with the law, maintaining market order, and ensuring the lawful operation of the market.

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Overseas Listing

On 17 February 2023, the CSRC promulgated the Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (the “Interim Measures”), along with related guidelines, which came into effect on 31 March 2023. According to the Interim Measures, a domestic enterprise directly or indirectly offering shares or listing overseas shall undergo the recordation formalities with the CSRC within three working days after the application documents for offering and listing are submitted overseas.

According to the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic Enterprises (the “Provisions on Strengthening the Confidentiality and Archives Administration”), jointly issued by the CSRC and other relevant authorities on 24 February 2023 and effective from 31 March 2023, in the overseas offering and listing activities of domestic enterprises, domestic enterprises, and securities companies and securities service institutions that provide corresponding services shall strictly comply with the applicable laws and regulations of the People’s Republic of China and satisfy the requirements of the Provisions on Strengthening the Confidentiality and Archives Administration, enhance the legal awareness of safeguarding state secrets and strengthening archives administration, establish and improve the confidentiality and archives work system, and take necessary measures to fulfill the confidentiality and archives administration obligations, and shall not divulge state secrets or work secrets of state organs, or harm the interests of the state or the public.

LAW AND REGULATIONS OF SOUTH KOREA

The following provides an overview of the major laws and regulations of South Korea related to the Company’s current daily business operations in South Korea.

COMMERCIAL ACT (COMPANY)

Commercial Act is a set of legal norms that regulate matters related to enterprises and commercial transactions in civil legal relations. In particular, the chapter Company within it regulates the legal relations regarding the establishment, organization, operation, dissolution, etc., of various types of companies, including joint-stock companies.

Company mainly stipulates the following aspects regarding the obligations of directors of joint-stock companies: (i) it establishes that directors owe a duty of loyalty to the company (Paragraph 2 of Article 382 of the Commercial Act); (ii) to prevent conflicts of interest between directors and the company, it sets up a non-competition obligation; that is, without the approval of the board of directors, a director shall not engage in transactions within the scope of the company’s business in his own name or in the name of a third party, nor shall he serve as a director of other companies engaged in similar businesses (Article 397 of the Commercial Act); (iii) it prohibits a director from seizing business opportunities that may benefit the company without the consent of more than two-thirds of the directors (Article 397-2 of the Commercial Act); (iv) it prohibits a director from conducting self-transactions in his own name or in the name of a third party without the consent of more than two-thirds of the directors (Article 398 of the Commercial Act).

If a director violates laws or the company’s articles of association intentionally or negligently, or neglects to perform their duties, they shall bear joint and several liability for compensation to the company. If such an act is carried out in accordance with a resolution of the board of directors, the directors who voted in favor of the resolution shall also bear the same liability (Article 399 of the Commercial Act). In addition, if a director neglects to perform their duties due to intent or gross negligence, they shall bear joint and several liability for compensation to third parties. If such an act is also carried out in accordance with a resolution of the board of directors, the directors who voted in favor of the resolution shall also bear the same liability (Article 401 of the Commercial Act).

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MONOPOLY REGULATION AND FAIR TRADE ACT

The Monopoly Regulation and Fair Trade Act (hereinafter referred to as the “**Fair Trade Act**”) aims to prevent business operators from abusing their market-dominant positions and excessive concentration of economic power, and to regulate illegal cartel conduct and unfair trade practices, so as to establish a fair and free market competition order.

The main matters regulated by the Fair Trade Act include: (i) Prohibition of Abuse of Market-Dominant Position (Article 5 of the Fair Trade Act); (ii) Prohibition of Illegal Cartel Conduct (collusion) (Article 40 of the Fair Trade Act); (iii) Prohibition of Unfair Trade Practices (Article 45 of the Fair Trade Act); (iv) Restrictions on Business Combinations (Article 9 of the Fair Trade Act)¹, etc.

Among the above-mentioned regulations, the prohibition of unfair trade practices is highly relevant to the general business operations of companies. The Fair Trade Act classifies unfair practices as follows: (i) Unfairly rejecting a transaction; (ii) Unfairly discriminating against the other party to a transaction; (iii) Unfairly excluding a competitor; (iv) Unfairly enticing a competitor’s customer; (v) Unfairly forcing a transaction; (vi) Unfairly taking advantage of the bargaining position; (vii) Making transactions under restrictive terms; (viii) Unfairly disrupting business activities; (ix) Maintaining resale prices; (x) Improper support (Paragraph 1 of Article 45). In particular, when transactions between special-related parties are not carried out on an arm’s length basis, such transactions may be regarded as improper support under the Fair Trade Act (Item 9 of Paragraph 1 of Article 45 of the Fair Trade Act).

Regarding unfair trade practices, the Korea Fair Trade Commission can impose corrective measures such as halting the transactions on the relevant parties to the transactions, and also impose punitive fines of up to 4% of the relevant sales volume (when the sales volume cannot be accurately calculated, the maximum fine is 1 billion won). In addition, criminal penalties are provided for various types of violations. Specifically, for legal entities that engage in improper support acts, they may be sentenced to imprisonment of up to three years or fined up to 200 million won (and the double-jeopardy rule applies).

THE ACT ON PREVENTION OF DIVULGENCE AND PROTECTION OF INDUSTRIAL TECHNOLOGY AND THE ACT ON SPECIAL MEASURES FOR STRENGTHENING AND PROTECTING COMPETITIVENESS OF NATIONAL HIGH-TECH STRATEGIC INDUSTRIES

South Korea’s Act on Prevention of Divulgence and Protection of Industrial Technology (hereinafter referred to as the “**Industrial Technology Protection Act**”) aims to strengthen the competitiveness of industries in South Korea by preventing the improper divulgence of industrial technology and protecting industrial technology, and contribute to South Korea’s national security and national economic development. In addition, South Korea’s Act on Special Measures for Strengthening and Protecting Competitiveness of National High-Tech Strategic Industries (hereinafter referred to as the “**National High-Tech Strategic Industries Act**”) aims to establish a support and protection system for national high-tech strategic industries that have a significant impact on South Korea’s national economy and security, and enhance its competitiveness.

¹ Business combinations that meet certain requirements need to be reported to the Fair Trade Commission in advance for approval or announced after the fact.

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According to the Industrial Technology Protection Act and the National High-Tech Strategic Industries Act, when intending to export national core technologies² and strategic technologies³ by means of sale, transfer, etc., one shall obtain the prior approval from the Minister of Trade, Industry and Energy or make a prior declaration according to the type of the technologies (Article 11 of the Industrial Technology Protection Act and Article 12 of the National High-Tech Strategic Industries Act).

Those who export national core technologies without approval under the Industrial Technology Protection Act shall be sentenced to imprisonment for not more than 10 years or fined not more than 1 billion won (Paragraph 3 of Article 36 of the Industrial Technology Protection Act). In addition, those who export strategic technologies without approval under the National High-Tech Strategic Industries Act shall be sentenced to imprisonment for not more than 15 years or fined not more than 1.5 billion won (Paragraph 3 of Article 50 of the National High-Tech Strategic Industries Act).

BASIC RESEARCH PROMOTION AND TECHNOLOGY DEVELOPMENT SUPPORT ACT

The Basic Research Promotion and Technology Development Support Act (hereinafter referred to as the “**Basic Research Act**”) aims to systematically foster basic research, promote technology development, and thereby enhance the country’s science and technology level and contribute to the improvement of the national economy and people’s well-being.

According to the Basic Research Act, enterprises that intend to have their affiliated research institutions or R&D departments recognized as enterprise-affiliated research institutes or specialized R&D departments should submit an application for recognition to the Minister of Science and ICT of South Korea (Paragraphs 1 and 2 of Article 14-2 of the Basic Research Act; Paragraph 1 of Article 3 of the Enforcement Rules of the Act). After being recognized as an enterprise-affiliated research institute, the enterprise can enjoy preferential policies such as tax credits for research and talent development expenses and equipment investment, and tariff exemptions. The three enterprise-affiliated research institutes operated by the Target Company have obtained the recognition certificates of “Enterprise-Affiliated Research Institute” from the Korea Industrial Technology Association.

PERSONAL INFORMATION PROTECTION ACT

The Personal Information Protection Act aims to protect the rights and interests of individuals through the appropriate collection, use and protection of personal information. Centered around the consent of the data subjects, the Act regulates the entire course of personal information processing.

2 National core technology refers to technology designated by the Minister of Trade, Industry and Energy of South Korea which has high technological and economic values in the Korean and overseas markets or brings high growth potential to its related industries and is feared as a technology to exert a significantly adverse effect on the national security and the development of the national economy in the event that it is divulged abroad (Item 2 of Article 2 and Article 9 of the Industrial Technology Protection Act).

3 National high-tech strategic technologies refer to those technologies designated by the Minister of Trade, Industry and Energy of South Korea, which have a significant impact on national and economic security such as supply-chain stability, play a remarkable role in national economic benefits such as exports and employment, and have a significant spill-over effect on related industries (Item 1 of Article 2 and Article 11 of the National High-Tech Strategic Industries Act).

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In principle, personal information controllers must obtain the consent of a data subject for the following situations: (i) collection and use of personal information (Article 15 of the Personal Information Protection Act); (ii) provision of personal information to a third party (Article 17 of the Personal Information Protection Act); (iii) processing of sensitive information⁴ and personally identifiable information⁵ (Articles 23 and 24 of the Personal Information Protection Act), among others.

If a personal information controller collects, uses, or provides to a third party personal information without the consent of the data subject, or uses or provides to a third party personal information beyond the scope of the consent obtained, a penalty surcharge may be imposed on the relevant personal information controller within the scope not exceeding 3% of the total sales (Item 1 of Paragraph 1 of Article 64-2 of the Personal Information Protection Act). Moreover, if a personal information controller provides personal information to a third party without the consent of the data subject, or processes sensitive information or personally identifiable information, the personal information controller may be punished by imprisonment with labor for not more than five years, or by a fine not exceeding 50 million won.

LAWS AND REGULATIONS RELATED TO INTELLECTUAL PROPERTY

Patent Act

The purpose of the Patent Act is to promote the development of technologies and to contribute to industrial development by protecting and supporting inventions and promoting the use of inventions.

Based on the aforementioned provisions, a patentee or an exclusive licensee can exercise various rights against infringement of a patent. Infringement of a patent as referred to in the Patent Act refers to the manufacturing, assigning, leasing, exporting or importing of a specific “product” exclusively used for the manufacturing or implementation methods of a patented item without permission, or offering to assign or lease such product (Article 127 of the Patent Act). A patentee or an exclusive licensee can take the following actions against the infringement of a patent: (i) civil claims for damages; (ii) requests for injunctive relief or prevention of infringement; (iii) criminal prosecution (Articles 126 to 128 of the Patent Act).

For a jointly owned patent, each joint owner of a patent may independently practice the patented invention without the consent of all other joint owners. However, without the consent of other joint owners, a joint owner (i) may not assign his or her share or establish any pledge right over his or her share (Paragraph 2 of Article 99 of the Patent Act), and (ii) may not establish an exclusive license or grant a non-exclusive license for the patent right (Paragraph 4 of Article 99 of the Patent Act).

Trademark Act

The purpose of the Trademark Act is to contribute to industrial development by protecting the interests of consumers and maintaining fair trade order through the protection of use of trademarks.

A trademark must be distinctive, shall not harm public order or good morals, and shall not be identical or similar to an already registered trademark (Article 33 of the Trademark Act). Whether trademark infringement has occurred requires a comprehensive consideration of the similarity of the

4 Sensitive information refers to information relating to ideology, belief, admission to or withdrawal from a trade union or political party, political opinions, health, sex life, etc., and other information that is likely to markedly threaten the privacy of any data subject (Paragraph 1 of Article 23 of the Personal Information Protection Act).

5 Personally identifiable information refers to resident registration numbers, passport numbers, driver’s license numbers and alien registration numbers (Paragraph 1 of Article 24 of the Personal Information Protection Act, Article 19 of the Enforcement Decree of the Act).

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trademark (appearance, name, etc.) and the similarity of the goods, as well as whether it is used in the trademark sense (packaging, advertising, import/export, etc.) (Article 108 of the Trademark Act). The trademark right holder has the exclusive right to use the registered trademark on the designated goods and has the right to take the measures like (i) civil claims for damages; (ii) requests for prohibition or prevention of infringement; (iii) criminal prosecution prohibit others from unauthorized use and to claim damages (Articles 107 to 112 of the Trademark Act).

Invention Promotion Act

The purpose of the Invention Promotion Act is to enhance the technical competitiveness of industries and to contribute to the development of the national economy by encouraging invention and facilitating the prompt and efficient securing of rights to inventions and the commercialization thereof.

The term “employee’s invention” means (i) an invention (including invention patents, utility models, and designs, but trademarks are not subject to this Act) that an employee or executive of a corporation makes in connection with his/her duties; (ii) the invention that in essence falls within the scope of business of the employer or the corporation; (iii) the invention that was made through activities that fall within the present or past duties of the employee (Item 2 of Article 2 of the Invention Promotion Act).

According to the Invention Promotion Act, (i) no employer may assert his/her succession to rights to an employee’s invention against the intent of the employee, who is the inventor, unless otherwise stipulated in advance by contract or employment regulations that the company shall succeed to rights to an employee’s invention (Paragraph 1 of Article 13 of the Invention Promotion Act); (ii) an employee, who is the inventor, shall be entitled to fair compensation where the employer succeeds to his/her rights to an employee’s invention (Paragraph 1 of Article 15 of the Invention Promotion Act).

The Invention Promotion Act does not specify penalties for employers, etc., which fail to provide compensation for employee’s inventions to employees, etc., identified as inventors, or which unjustifiably refuse to make such payments. However, in such cases, the employees, etc., identified as inventors, may file civil claims against the employers, etc., to claim damages.

Unfair Competition Prevention and Trade Secret Protection Act

The purpose of the Unfair Competition Prevention and Trade Secret Protection Act (hereinafter referred to as the “**Unfair Competition Prevention Act**”) is to maintain the order of sound transactions and fair competition by preventing unfair competitive acts, such as unjust use of another person’s trademark, trade name, etc., known to the public in South Korea, and any act infringing on another person’s trade secret, thereby contributing to industrial development.

The Unfair Competition Prevention Act stipulates that trade secrets must meet the following three criteria: (i) non-disclosure, (ii) economic usefulness, and (iii) confidentiality management. If any of these criteria are not satisfied, the information is not considered a trade secret and thus not protected under the Act (Item 2 of Article 2 of the Unfair Competition Prevention Act).

The term “infringement of trade secrets” means any of the following acts: (i) acquiring trade secrets by theft, deception or other improper means (act of improper acquisition), or using or disclosing the trade secrets so acquired (including informing any specific person of the trade secret while under a duty to maintain secrecy); (ii) using or disclosing trade secrets to obtain improper benefits or to cause damage to the owner of the trade secrets while under a contractual or other duty to maintain secrecy of the trade secrets, etc. (Item 3 of Article 2 of the Unfair Competition Prevention Act).

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Pursuant to the above, any person, who commits acts under any of the following circumstances, shall be punished by imprisonment with labor for not more than 10 years or by a fine not exceeding 500 million won: (i) for the purpose of obtaining improper benefits or causing damage to the owner of the trade secrets, (x) acquiring, using or disclosing to any third parties the trade secrets; or (y) transferring the trade secrets outside designated premises without authorization; or (z) continuing to hold the trade secrets after being ordered by the owner of the trade secrets to delete or return them; (ii) acquiring the trade secrets by theft, deception, coercion or other improper means; (iii) acquiring or using the trade secrets, with knowledge that an act set out in (i) or (ii) has occurred (Paragraph 2 of Article 18 of the Unfair Competition Prevention Act).

LABOR-RELATED LEGAL PROVISIONS

Labor Standards Act

The Labor Standards Act is enacted to ensure the basic livelihood of workers, and any provisions in a labor contract that fall short of the standards prescribed by the Labor Standards Act shall be null and void to that extent (Paragraph 1 of Article 15 of the Labor Standards Act).

When entering into a labor contract, the employer must provide the employee with a written document stating the major working conditions, including wages (Articles 17 of the Labor Standards Act). In addition, an employer shall not dismiss an employee without just cause (Paragraph 1 of Article 23 of the Labor Standards Act). As the courts apply a very strict standard in determining what constitutes “just cause,” it is, in practice, extremely difficult for an employer in Korea to dismiss an employee.

Pursuant to the Labor Standards Act, the maximum number of working hours shall not exceed eight hours per day and 40 hours per week in principle, excluding break time. Only with the employee’s consent may the employer assign up to 12 additional hours of work per week (Article 50 and Paragraph 1 of Article 53 of the Labor Standards Act; hereinafter referred to as the “**52-hour workweek system**”).

Violation of the 52-hour workweek system may result in imprisonment for up to two years or a fine not exceeding 20 million won (Paragraph 1 of Article 53 and Article 110 of the Labor Standards Act). For unpaid overtime wages, the employer may be required to compensate for the unpaid amount within the statute of limitations for wage claims, which is three years.

Further, wages for extended work hours, night work, and work on holidays shall be paid at a rate of at least 150% of the ordinary wage (Article 56 of the Labor Standards Act).⁶

Act on the Guarantee of Employees’ Retirement Benefits

The Act on the Guarantee of Employees’ Retirement Benefits (hereinafter referred to as the “**Retirement Benefits Act**”) applies to all workplaces that employ workers, and aims to ensure the stable post-retirement livelihood of workers by prescribing matters concerning the establishment and operation of retirement benefit schemes.

An employer must establish at least one of the following types of retirement benefit schemes for employees who have worked continuously for one year or more and whose average weekly working hours over a four-week period are at least 15 hours: a defined benefit retirement pension plan, a defined contribution retirement pension plan, or a retirement allowance system (Paragraph

⁶ “Fixedness” refers to the characteristic whereby remuneration is definitively payable for the labor provided by the employee, regardless of the employee’s performance, results, or any other additional conditions. So-called “fixed wages” refer to the minimum compensation that is unconditionally and definitively payable as consideration for a day’s labor to an employee who works the prescribed working hours on any given day, regardless of the name of the wage and even if the employee resigns the following day.

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1 of Article 4 of the Retirement Benefits Act). Under the retirement allowance system, the employer is required to establish a system that enables payment to departing employees of an amount equal to or greater than 30 days’ average wage for each year of continuous service. The average wage is calculated by dividing the total wages paid to the employee over the most recent three months by the total number of calendar days in that period (Paragraph 1 of Article 8 of the Retirement Benefits Act). In addition, an employer may establish a retirement pension plan (either a defined contribution plan and/or a defined benefit plan).

An employer who fails to pay the retirement benefits within 14 days from the employee’s date of departure may be subject to imprisonment of up to three years or a fine of up to 30 million won. The statute of limitations for claiming unpaid retirement benefits is three years (Paragraph 1 of Article 9, Article 10, and Article 44 of the Retirement Benefits Act).

ENVIRONMENTAL AND SAFETY-RELATED LEGAL PROVISIONS

Wastes Control Act

The Wastes Control Act aims to minimize the generation of waste and to protect public health and the environment by processing the waste that has been generated in an environmentally sound manner. It prescribes the entire process relating to waste, including its discharge, collection, transportation, storage, treatment, and recycling.

A person discharging business site waste must either treat the waste directly or consign it to a waste disposal company that holds the relevant permit. Violation of this obligation may result in imprisonment of up to three years or a fine not exceeding 30 million won (Paragraph 1 of Article 18 and Article 65 of the Wastes Control Act). When consigning waste for treatment, the waste discharger must obtain from the consignee a certificate verifying the consignee’s waste treatment permit or other qualification for commissioned treatment, and must enter into a consignment agreement, and such agreement must be retained for a minimum of three years (Item 3 of Paragraph 1 of Article 17 of the Wastes Control Act; Article 16-12 of the Enforcement Rule).

Occupational Safety and Health Act

The Occupational Safety and Health Act is intended to prevent industrial accidents and to protect the safety and health of workers. It applies to business sites that employ five or more employees on a regular basis.

In each industry, if the number of regularly employed workers exceeds a certain threshold (e.g., 50 or more workers in the electronic components manufacturing industry), the employer must appoint a person in charge of safety and health management, who shall oversee matters such as the establishment of industrial accident prevention plans and the management of safety and health within the workplace (Article 15 of the Occupational Safety and Health Act; Article 14 of the Enforcement Decree). In addition, a supervisory manager must be designated to inspect and supervise machinery, tools, equipment, and work areas related to production activities at the workplace (Article 16 of the Occupational Safety and Health Act). Failure to appoint a safety and health manager or a supervisory manager may result in an administrative fine of up to 5 million won for negligence (Paragraph 5 of Article 175 of the Occupational Safety and Health Act).