

REGULATORY OVERVIEW

We are a Chinese supplier of in-vehicle intelligent connectivity solutions, and our business operations are subject to extensive supervision and regulation by the Chinese government. This section sets forth an overview of the significant PRC laws, regulations, and policies we deem relevant to our business and operations in the PRC.

LAWS AND REGULATIONS RELATED TO COMPANY AND FOREIGN INVESTMENT

Companies established, operated, and managed in the PRC are subject to the regulation of the Company Law, which was promulgated by SCNPC on December 29, 1993, last amended on December 29, 2023 and came in to effect on July 1, 2024. The Company Law mainly regulates two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have legal person status, and the shareholders of a limited liability company or a joint stock limited company are liable to the extent of the amount of their capital contribution to the registered capital of the company. Unless otherwise stipulated by foreign investment laws, foreign-invested companies must comply with the Company Law.

On January 1, 2020, the Foreign Investment Law of the People’s Republic of China (中華人民共和國外商投資法) (the “**Foreign Investment Law**”) and Implementation Regulations for 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) came into effect, replacing the three main laws regulating foreign investment in PRC, namely the Law of the People’s Republic of China on Sino-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法), the Law of the People’s Republic of China on Sino-foreign Contractual Joint Ventures (中華人民共和國中外合作經營企業法), and the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法), along with their implementation rules and supporting regulations. According to the Foreign Investment Law, foreign investment refers to any investment activity directly or indirectly carried out by foreign investors (including foreign natural persons, enterprises or other organizations) within the territory of the PRC, including the following circumstances: (i) a foreign investor establishes a foreign-funded enterprise within the territory of China, either alone or together with any other investor; (ii) a foreign investor acquires shares, equities, property shares or any other similar rights and interests of an enterprise within the territory of China; (iii) a foreign investor invests in any new project within the territory of China, either alone or together with any other investor; and (iv) a foreign investor invests in any other way stipulated under laws, administrative regulations or provisions of the State Council (國務院).

According to the Foreign Investment Law, the State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The negative list will be released by, or upon approval of, the State Council and will be revised from time to time. Foreign investors shall not invest in any field with investment prohibited by the negative list for foreign investment access. Foreign investors shall meet the investment conditions stipulated under the negative list for any field with investment restricted by the negative list for foreign investment access. For the fields not included in the negative list for foreign investment access, management shall be conducted under the principle of consistency for domestic and foreign investment. The Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2024) (外商投資准入特別管理措施(負面清單)(2024年版)) (the “**Negative List**”) promulgated by the NDRC and the MOC on September 6, 2024, effective on November 1, 2024, as well as the Catalogue of Encouraged Industries for Foreign Investment (Edition 2022) (鼓勵外商投資產業目錄(2022年版)) (the “**Encouraged Catalogue**”) promulgated by the NDRC and the MOC on October 26, 2022, effective on January 1, 2023, list encouraged, restricted, and prohibited industries. The NDRC and the MOC promulgated the Catalogue of Encouraged Industries for Foreign Investment (Edition 2025) (鼓勵外商投資產業目錄(2025年版)), taking effect on February 1, 2026, which conducts modifications and updates to the encouraged, restricted, and prohibited industries. The Catalogue of Encouraged Industries for Foreign Investment (Edition 2022) will then expire on February 1, 2026, accordingly. As the Latest Practicable Date, according to the Negative List and the Encouraged Catalogues, our business does not fall within the field with investment prohibited or restricted by the Negative List for foreign investment access and is not subject to special administrative measures.

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For adapting to the needs of forming a new pattern of all-around opening up, effectively preventing and defusing national security risks while actively promoting foreign investment, the NDRC and the MOC promulgated the Measures for the Security Review of Foreign Investments (外商投資安全審查辦法) on December 19, 2020. The measures came into effect on January 18, 2021, stipulating provisions on the working mechanism for foreign investment security reviews, including the types of investments subject to review, the scope of review, and the procedures involved. According to the measures, foreign investors and relevant parties in China shall take the initiative to declare before the following situations occur: (i) investments in military industry, military industrial supporting and other fields relating to the security of national defense, and investments in areas surrounding military facilities and military industry facilities; and (ii) investments in important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transport services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies and other important fields relating to national security, and obtaining the actual controlling stake in the investee enterprise.

LAWS AND REGULATIONS RELATED TO THE IN-VEHICLE INTELLIGENT CONNECTIVITY SOLUTION INDUSTRY

According to the Guide to the Construction of the National Internet of Vehicles (IoV) Industry Standards System (Electronic Products and Services) (國家車聯網產業標準體系建設指南(電子產品與服務)) promulgated by the Ministry of Industry and Information Technology of the People’s Republic of China (中華人民共和國工業和信息化部) (the “MIIT”) and the National Standardization Administration on June, 2018, this guide mainly focuses on the general specifications, core technologies, and key applications of electronic products and services, guiding the standardization work in the field of electronic products and services in the connected vehicle industry. The electronic product and service standard system mainly includes basic, automotive electronic products, network equipment, services and platforms, network and information security standards, etc. The basic standards mainly include terminology, automotive electronic new system architecture, identification and coding standards, etc. The standards for automotive electronic products mainly include standards for basic products, terminals, and software; The standards for network equipment mainly include standards for fixed devices and mobile devices; The in car service platform includes five standards: platform architecture, interfaces, data management, operation, and information services; The automotive electronic information security standards refer to technical standards related to intrusion detection and protection, access control, secure communication, and security situational awareness of automotive electronic products, including standards for in vehicle system security, in vehicle terminal security, in vehicle information and service security, application software and service operation platform security, and in vehicle operating system online upgrade security.

To respond to the new trends, new characteristics, and new requirements of the development of intelligent connected vehicles in China, and to accelerate the establishment of a new standards system for intelligent connected vehicles, the MIIT and the National Standardization Administration jointly amended and formed the Guidelines for the Development of the National Internet of Vehicles Industry Standards System (Intelligent Connected Vehicles) (2023 Edition) (國家車聯網產業標準體系建設指南(智能網聯汽車)(2023版)) on July 18, 2023. The new standard system construction guidelines mainly focus on the general specifications, core technologies, and key product applications of intelligent connected vehicles, and build a standard system for intelligent connected vehicles that includes the basic, technical, product, and testing standards of intelligent connected vehicles, guiding the revision of relevant standards in the field of intelligent connected vehicles in the connected vehicle industry.

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According to the Telecommunications Regulations of the People’s Republic of China (中華人民共和國電信條例), promulgated by the State Council on September 25, 2000, last amended and effective on February 6, 2016, the PRC shall implement a network connection licensing system for telecommunications terminal equipment, radio telecommunications equipment, and interconnection-related equipment. Telecommunications terminal equipment, radio telecommunications equipment, and interconnection-related equipment accessing a public telecommunications network shall comply with the standards stipulated by the State and obtain a network connection permit. The list of telecommunications equipment subject to network connection licensing shall be formulated, announced, and implemented by the information technology administration department of the State Council jointly with the product quality supervision department of the State Council.

According to the Notice of the Ministry of Industry and Information Technology on Promoting the Accelerated Development of 5G (關於推動5G加快發展的通知), promulgated by the MIIT on March 24, 2020, and effective on the same day, the MIIT claimed that We should promote the inclusion of the Internet of Vehicles in national new information infrastructure construction projects and promote the scaled deployment of LTE-V2X. Efforts should be made to build a national pilot of the Internet of Vehicles, enrich application scenarios, and explore and improve business models. In light of the 5G commercial deployment, we should guide key areas to plan, strengthen cross-departmental coordination, and promote the inclusion of 5G and LTE-V2X in the important communication standards and protocols for smart cities and intelligent transportation construction.

According to the Guiding Opinions of the Ministry of Industry and Information Technology on Optimizing Business Access to Promote the Development of the Satellite Communications Industry (關於優化業務准入促進衛星通信產業發展的指導意見), promulgated by the MIIT on August 25, 2025 and effective on the same day, the MIIT supports the exploration of new satellite communication services, studies the establishment of such services, and further expands access for private enterprises. It encourages private enterprises to legally and compliantly utilize various low- and high-orbit in-orbit satellite resources, revitalizing existing satellite resources through diversified commercial cooperation methods such as satellite resource leasing, value-added services, and distribution agency operations, thereby enriching service offerings and thriving the satellite communication market.

We are supplying in-vehicle intelligent connectivity solutions, therefore, we must ensure that all the hardware and software we supplied comply with relevant regulatory requirements in the field of intelligent connected vehicles, including functional safety, software updates, and expected functional safety. Simultaneously, we also need to continuously monitor the changing regulatory environment to ensure that our products and services always comply with latest laws and regulations.

LAWS AND REGULATIONS RELATED TO PRODUCT QUALITY AND PRODUCT STANDARDS

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 SCNPC on December 29, 2018, and effective on the same day, the State Council’s market regulation department shall be in charge of nationwide supervision of product quality. Producers shall not produce or sell products that fail to meet the standards and requirements for safeguarding human health and personal and property safety. No unreasonable danger to personal safety or the safety of property shall exist in products. If a defect in a product causes physical injury or damage to third party property, the party which was injured or incurred damage may claim compensation against the producer or may claim compensation against the seller. The producers and sellers of substandard products may be ordered to cease their production or sale. Products that have been illegally produced or sold shall be confiscated, and a fine may be imposed. Where there is illegal income, the illegal income shall be confiscated. Where the circumstances are serious, the business license shall be revoked.

According to the GB 45672-2025 On-Board Accident Emergency Call System (GB 45672 – 2025 車載事故緊急呼叫系統), promulgated by the SAMR and the National Standardization Administration of the People’s Republic of China (國家標準化委員會) on April 25, 2025, and set to take effect on July 1, 2027, the technical requirements for in-vehicle emergency call systems and the criteria for determining the same type are specified, along with corresponding testing methods.

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LAWS AND REGULATIONS RELATED TO PRODUCTION SAFETY

According to the Work Safety Law of the People’s Republic of China (中華人民共和國安全生產法) (the “**Work Safety Law**”) promulgated by SCNPC on June 29, 2002, last amended on June 10, 2021, and effective on September 1, 2021, entities that are engaged in production and business activities within the territory of the PRC must comply with the Work Safety Law and other laws and regulations related to production safety. Producers and business operators shall strengthen work safety management, establish and improve the all-staff work safety responsibility system and work safety rules and regulations, increase investment in funds, materials, technologies and personnel for work safety, improve the conditions for work safety, strengthen the standardized and information technology development of work safety, establish a dual prevention mechanism of graded management and control of safety risks and the screening and handling of hidden dangers, improve the risk prevention and resolution mechanism, and improve the level of work safety so as to ensure work safety. The principal of a producer or business operator is the first person responsible for its work safety and shall take full responsibility for work safety in such entity.

We now have a production facility in Deqing, Zhejiang, and plan to build a new factory in Wuhu, Anhui. All our factories will comply with laws and regulations related to production safety in all production activities.

LAWS AND REGULATIONS RELATED TO ENVIRONMENTAL PROTECTION

Environmental Protection Law

According to the Environmental Protection Law of the People’s Republic of China (中華人民共和國環境保護法), promulgated by the SCNPC on December 26, 1989, last amended on April 24, 2014, and effective on January 1, 2015, the environmental protection department of the State Council shall implement unified supervision and administration of environmental protection work nationwide; the environmental protection departments of local People’s Governments of county level and above shall implement unified supervision and administration of environmental protection work within their administrative region. Environmental impact assessment shall be carried out pursuant to the law in the formulation of the relevant development and utilization plans and construction of projects that have an impact on the environment. Pollution prevention facilities in construction projects shall be designed, constructed, and put into use simultaneously with the main project. Pollution prevention facilities shall comply with the requirements of the approved environmental impact assessment document, and shall not be arbitrarily removed or left idle.

The Ecological and Environmental Code of the People's Republic of China (中華人民共和國生態環境法) (the “**Ecological Environmental Code**”), promulgated by the SCNPC on March 12, 2026, and will be effective on August 15, 2026, systematically integrates, compiles and compiles the current legal system and norms of ecological environment in Chinese Mainland, solves the problems of intersection and conflict between previous laws, and significantly reduces the cost of national governance and compliance of business entities. When the Ecological Code comes into effect, multiple fundamental laws in the field of ecological environment will be integrated and unified by the Ecological Environmental Code, including the Environmental Protection Law of the People’s Republic of China, the Environmental Impact Assessment Law of the People’s Republic of China, the Marine Environment Protection Law of the People’s Republic of China, the Law of the People’s Republic of China on Prevention and Control of Atmospheric Pollution, the Water Pollution Prevention and Control Law of the People’s Republic of China, the Soil Pollution Prevention and Control Law of the People’s Republic of China, the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes, the Noise Pollution Prevention and Control Law of the People’s Republic of China, the Law of the People’s Republic of China on the Prevention and Control of Radioactive Pollution, and the Clean Production Promotion Law of the People’s Republic of China. The aforementioned laws will be abolished simultaneously at that time.

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Pollutant Treatment

According to the Regulations on the Administration of Pollutant Discharge Permits (排污許可管理條例), promulgated by the State Council on January 24, 2021, and effective on March 1, 2021, enterprises, public institutions and other producers and business operators that are subject to pollutant discharge permit administration in accordance with laws shall apply for and obtain a pollutant discharge permit in accordance with the Regulations. The entities that fail to obtain a pollutant discharge permit shall not discharge any pollutants. Enterprises, public institutions, and other production and operation entities that produce and discharge little amount of pollutants with little impact on the environment shall fill in the pollutant discharge registration form, and are not required to apply for a pollutant discharge permit.

According to the Law of the People’s Republic of China on Prevention and Control of Atmospheric Pollution promulgated by the SCNPC on September 5, 1987, last amended and effective on October 26, 2018, construction, renovation, and expansion projects that emit atmospheric pollutants must comply with the relevant environmental protection regulations for construction projects. Enterprises, institutions, and other manufacturers and business operators undertaking development projects which have an impact on atmospheric environment shall conduct an environmental impact assessment, and disclose the environmental impact assessment documents pursuant to the law; emission of atmospheric pollutants shall comply with the atmospheric pollutants emission standards, and comply with the control requirements for total emission of key atmospheric pollutants. As stated, this law will expire on August 15, 2026.

According to the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes promulgated by the SCNPC on October 30, 1995, last amended on April 29, 2020, and effective on September 1, 2020, Entities and individuals generating or engaging in the collection, storage, transport, utilization or disposal of solid wastes shall adopt measures to prevent or reduce environmental pollution by solid wastes and shall bear liability for any resulting environmental pollution in accordance with the law. As stated, this law will expire on August 15, 2026.

All our business will comply with environmental protection laws and regulations.

LAWS AND REGULATIONS RELATED TO IMPORTS AND EXPORTS

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, last amended and effective on April 29, 2021, the Customs of the People’s Republic of China is the State organ responsible for the supervision and administration of entry into and exit from the customs territory. All inbound and outbound means of transport, goods, and articles shall pass through a place where a Customs office is established when entering or leaving Chinese territory. Unless otherwise stipulated, the consignee or consignor of import and export goods may take import and export goods through Customs declaration procedures and pay duties themselves, it may also entrust a Customs clearing enterprise to complete declaration procedures and pay duties for import and export goods. Where a consignee or consignor of import or export goods or a Customs clearing enterprise goes through Customs declaration procedures, they shall file for record with the Customs in accordance with the law.

Since we plan to expand our international market and increase overseas sales, we will comply with relevant laws and regulations when conducting import and export business, ensure that our export activities are carried out in accordance with customs clearance procedures, and comply with international trade agreements, sanctions, and other export control measures.

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LAWS AND REGULATIONS RELATED TO REAL ESTATE AND RENTAL HOUSING MANAGEMENT

Real Estate

According to the Civil Code of the People’s Republic of China (中華人民共和國民法典), promulgated by the SCNPC on May 28, 2020, and effective on January 1, 2021, establishment, modification, assignment, and extinguishment of real rights to immovables shall be registered pursuant to law. Unless the law stipulates otherwise, such establishment, modification, assignment, and extinguishment shall be effective upon registration pursuant to law and ineffective without registration.

Housing Rental Management

According to the Administrative Measures on Leasing of Commodity Housing (商品房屋租賃管理辦法), promulgated by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China (中華人民共和國住房和城鄉建設部) on December 1, 2010, and effective on February 1, 2011, the lessor and the lessee shall enter into a lease contract pursuant to the law. The lessor and the lessee shall complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development (real estate) department of the People’s Government of the centrally-administered municipality, municipality, or county where the leased property is located. Organisations that violate the stated provisions shall be ordered by the development (real estate) department of the People’s Governments of centrally-administered municipalities, municipalities or counties to make corrections within a stipulated period. Where the organisation failed to make corrections within the stipulated period, a fine ranging from RMB1,000 to RMB10,000 shall be imposed.

According to the Civil Code of the People’s Republic of China, promulgated by the SCNPC on May 28, 2020, and effective on January 1, 2021, if the parties to a lease contract fail to go through the formalities of registration of such contract in accordance with the provisions of laws and administrative regulations, the validity of the contract shall not be affected.

LAWS AND REGULATIONS RELATED TO ESG

According to the Environmental Protection Law of the People’s Republic of China, promulgated by the SCNPC on December 26, 1989, last amended on April 24, 2014, and effective on January 1, 2015, the State promotes clean production and recycling of resources. Enterprises shall give priority to the use of clean energy, adopt processes and equipment with high resource utilisation and low pollutant emission as well as technologies for integrated waste utilisation and decontamination of pollutants, and reduce pollutant generation. As stated, this law will expire on August 15, 2026.

According to the Action Plan for Carbon Dioxide Peaking Before 2030 promulgated by the State Council on October 24, 2021, and effective on the same day, the relevant listed and bond-issuing companies should disclose their carbon emissions according to the requirements of environmental information disclosure laws.

The Sustainability Disclosure Standards for Business Enterprises – Basic Standards (for Trial Implementation) promulgated by the MOF on November 20, 2024, effective on the same day, clarifies the basic standards of the sustainability information disclosure for business enterprises. The Standards point out that sustainability information to be disclosed by an enterprise refers to the information on the enterprise’s risks, opportunities, and impacts relating to sustainability issues in respect of environment, society, and governance, etc., including the sustainability information to be disclosed as required by the laws and regulations of the State. The Standards also stipulate the information required to be disclosed and the basic disclosure requirements.

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LAWS AND REGULATIONS RELATED TO INTELLECTUAL PROPERTY

Patent

According to the Patent Law of the People’s Republic of China (中華人民共和國專利法), promulgated by the SCNPC on March 12, 1984, last amended on October 17, and effective on June 1, 2021, and the Implementing Rules for the Patent Law of the People’s Republic of China (中華人民共和國專利法實施細則), promulgated by the State Council on June 15, 2001, last amended on December 11, 2023, and effective on January 20, 2024, the patent administrative department of the State Council is responsible for managing patent affairs nationwide, while the departments responsible for patent affairs under the people’s governments of provinces, autonomous regions, and municipalities directly under the central government are responsible for patent management within their respective administrative regions. The law stipulates provisions for three categories of patents: “inventions,” “utility models,” and “designs.” The term of an invention patent is twenty years, that of a utility model patent is ten years, and that of a design patent is fifteen years, all calculated from the filing date. Any organization or individual proposing to implement the patent of others shall enter into a licensing contract with the patentee for implementation and pay royalties to the patentee. Implementing a patent without the consent of the patent owner constitutes an infringement of their patent rights.

Trademark

According to the Trademark Law of the People’s Republic of China (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 effective on November 1, 2019, and the Implementation Regulations for the Trademark Law of the People’s Republic of China (中華人民共和國商標法實施條例), promulgated by the State Council on August 3, 2002, last amended on April 29, 2014, and effective on May 1, 2014, the trademark bureau of the administration for industry and commerce department of the State Council shall be in charge of trademark registration and administration nationwide. A registered trademark shall be valid for 10 years, commencing from the date of registration. Upon expiry of the validity period of a registered trademark, where the trademark registrant intends to continue using the trademark, it shall complete renewal formalities pursuant to the provisions within the 12 months before the expiry date; where renewal formalities are not completed within the stipulated period, a six-month extension may be allowed. The validity period of each renewal shall be 10 years, commencing from the date following the expiry of the preceding validity period of the said trademark. Where renewal formalities are not completed upon expiry of the validity period, the registered trademark shall be cancelled. A trademark registrant may execute a trademark licensing contract to license the use of its registered trademark to others.

Copyright

According to the Copyright Law of the People’s Republic of China (中華人民共和國著作權法), promulgated by the SCNPC, last amended on November 11, 2020, and effective on June 1, 2021, and the Implementation Regulations for the Copyright Law of the People’s Republic of China (中華人民共和國著作權法實施條例), promulgated by the State Council on August 2, 2002, last amended on January 30, 2013, and effective on March 1, 2013, Chinese citizens, legal persons or organizations without legal personality enjoy copyright over their works, whether published or not, in accordance with the law. Unless the Copyright Law of the People’s Republic of China stipulates otherwise, copying, distributing, performing, screening, broadcasting, compiling, or disseminating one’s works to the public through information networks without the consent of the copyright owner constitutes copyright infringement.

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LAWS AND REGULATIONS RELATED TO FOREIGN EXCHANGE

The Foreign Exchange Control Regulations of the People’s Republic of China (中華人民共和國外匯管理條例), promulgated by the State Council on January 29, 1996, last amended and effective on August 5, 2008, is currently the primary effective regulation related to foreign exchange. According to the regulation, Renminbi is freely convertible into other currencies for current account items (such as foreign exchange transactions related to goods, trade, and services, as well as dividend distribution) based on true and legitimate transactions. However, for capital account items (such as equity capital transactions, direct investments, security investments, quoted securities, and loans), no exchange shall be conducted unless approved by and registered with the foreign exchange management department.

According to the Notice of the People’s Bank of China and the State Administration of Foreign Exchange on Issues Concerning the Administration of Funds Raised by Domestic Enterprises Listed Overseas (中國人民銀行國家外匯管理局關於境內企業境外上市資金管理有關問題的通知), promulgated by the People’s Bank of China and the SAFE on December 24, 2025, effective on April 1, 2026, a domestic enterprise that conducts an overseas listing shall, within 30 working days from the first trading day of the overseas listing or the completion of the over-allotment option, apply to a bank within the province or the separately-listed municipality where it is registered for overseas listing registration. In principle, funds raised by domestic enterprises through overseas listings shall be remitted back to the territory in a timely manner. Where such funds are retained overseas for the conduct of overseas direct investment, overseas securities investment, overseas lending and other businesses, the domestic enterprise shall obtain the approval or filing documents from the business competent authorities before the date of completion of the overseas issuance or the over-allotment option, and shall comply with relevant cross-border funds administration provisions.

LAWS AND REGULATIONS RELATED TO TAXATION

Corporate Income Tax

According to the Corporate 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 SCNPC on March 16, 2007, last amended and effective on December 29, 2018, and the Implementing Regulations for the Corporate 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), promulgated by the State Council on December 6, 2007, last amended on December 6, 2024, and effective on January 20, 2025, an enterprise lawfully incorporated in China, or an enterprise lawfully incorporated pursuant to the laws of a foreign country (region) but where actual management functions are conducted in China, shall be seen as a resident enterprise. Corporate income tax shall be payable by a resident enterprise for income derived from or accruing in or outside China, and the corporate income tax shall be at the rate of 25%. The State grants corporate income tax incentives to key industries and projects supported and encouraged by the State. Corporate income tax for key advanced and new technology enterprises supported by the State shall be at a reduced tax rate of 15%.

Value-added Tax

According to the Value-added Tax Law of the People’s Republic of China promulgated by the SCNPC on December 25, 2024, and effective on January 1, 2026, taxpayers that sell goods, provide processing, repair and replacement services, tangible movables leasing services, or import goods are subject to a tax rate of 13%, unless otherwise stipulated in the law. Taxpayers that sell services or intangible assets are subject to a tax rate of 6%, unless otherwise stipulated in the law.

Dividend Tax

For Individual Investors

According to the Individual Income Tax Law of the People’s Republic of China (中華人民共和國個人所得稅法), promulgated by the SCNPC on the September 10, 1980, last amended on August 31, 2018, and effective on January 1, 2019, and the Implementation Regulations for the Individual Income Tax Law of the People’s Republic of China (中華人民共和國個人所得稅法實施條例), promulgated by the State Council on December 18, 2018, effective on January 1, 2019, Chinese corporates are generally required to pay withholding income tax at a uniform tax rate of 20% when distributing dividends to individual investors.

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According to the Notice on Issues Relating to Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies (關於上市公司股息紅利差別化個人所得稅政策有關問題的通知) (this notice has been partially repealed on July 1, 2019), promulgated by the MOF, the State Taxation Administration of the People’s Republic of China (the “STA”), and the CSRC on September 7, 2015, effective on September 8, 2015, for shares of listed companies obtained by individuals via public offerings and market transfer and held for less than one month (including one month), the income from dividends and bonuses thereof shall be fully included in the individual’s taxable income amount; where the shares are held for a period from one month up to one year (including one year), 50% of the income from dividends and bonuses therefrom shall temporally be included in the individual’s taxable income amount; the aforesaid income shall be subject to individual income tax based on 20% tax rate on a unified basis.

According to the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Tax Collection Policies Relating to the 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), promulgated by the MOF, the STA, and the CSRC, effective on November 17, 2014, for share dividend of H shares in which Chinese Mainland individual investors invest through the Shanghai-Hong Kong Stock Connect, the H shares company shall apply to the China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) (the “CSDC”), and the CSDC shall provide a register of its Chinese Mainland individual investors for the H shares company to withhold individual income tax based on 20% tax rate. For the share dividend of non-H shares listed on the HKSE in which Chinese Mainland individual investors invest through the Shanghai-Hong Kong Stock Connect, the CSDC shall withhold individual income tax based on a 20% tax rate. Where an individual investor has paid withholding tax overseas, he/she may present the valid tax certificate to apply for tax credit with the tax authorities in charge of the CSDC.

For Enterprise Investors

According to the Corporate 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 SCNPC on March 16, 2007, last amended and effective on December 29, 2018, and the Implementing Regulations for the Corporate 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), promulgated by the State Council on December 6, 2007, last amended on December 6, 2024, and effective on January 20, 2025, where the non-resident enterprise has no office or premises established in China or the income derived or accrued has no de facto relationship with the office or premises established, corporate income tax shall be payable at the rate of 10% by the non-resident enterprise for income derived from or accruing in China (include dividends distributed by Chinese companies issuing and listing stocks in Hong Kong). The income tax over the aforesaid non-resident enterprise shall be subject to withholding at the source, where the payer shall act as the withholding agent. The tax amount for each payment made or due shall be withheld by the withholding agent from the amount paid or payable.

According to the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Tax Collection Policies Relating to the 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), promulgated by the MOF, the STA, and the CSRC on October 31, 2014, effective on November 17, 2014, income on price difference derived by Chinese Mainland corporate investors from transfer of shares listed on the HKSE through the Shanghai-Hong Kong Stock Connect shall be included in their total income and be subject to enterprise income tax pursuant to the law. Income from share dividends derived by a Chinese Mainland resident enterprise for holding H shares over 12 consecutive months shall be exempted from enterprise income tax pursuant to the law. The H shares company listed on the HKSE shall apply to the CSDC for the CSDC to provide a register of its Chinese Mainland corporate investors. The H shares company is not required to withhold income tax on share dividends for its Chinese Mainland corporate investors, and the corporate investors shall make a declaration and payment for the tax payable amount voluntarily. Where a Chinese Mainland corporate investor makes a declaration and payment of enterprise income tax voluntarily, it may apply for tax credit pursuant to the law for income tax on share dividends withheld by the non-H shares company listed on the HKSE.

REGULATORY OVERVIEW

Additionally, according to the Arrangements between Chinese Mainland and Hong Kong Special Administrative Region on Avoiding Double Taxation and Preventing Tax Evasion on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, dividends paid by a company which is a resident of Chinese Mainland to a resident of Hong Kong, but the tax so charged shall not exceed 10% of the gross amount of the dividends. Where the beneficial owner is a Hong Kong resident fulfilling other requirements and directly owning at least 25% of the capital of the Chinese company that pays the dividends, the tax so charged shall not exceed 5%.

LAWS AND REGULATIONS RELATED TO LABOR, SOCIAL SECURITY, AND HOUSING PROVIDENT FUND

Labor Relationships

According to the Labor Contract Law of the People’s Republic of China (中華人民共和國勞動合同法) (the “**Labor Contract Law**”), promulgated by the SCNPC on July 29, 2009, last amended on December 28, 2012, effective on July 1, 2013, and the Implementation Regulations for the Labor 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 effective on the same day, a written labor contract shall be concluded for the establishment of labor relationship between the employer and the employee. Employers shall establish and improve upon labor rules and systems pursuant to the law to ensure workers’ entitlement to labor rights and performance of labor obligations. Employers shall not coerce a worker directly or indirectly to work overtime. An employer that requires a worker to work overtime shall pay the worker overtime wages pursuant to the relevant provisions of the State.

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, last amended and effective on December 29, 2018, employers shall establish a sound labor safety and hygiene system and shall strictly implement State rules and standards of labor safety and hygiene, conduct labor safety and hygiene education among its workers, prevent accidents during work and reduce occupational hazards. Labor safety and hygiene facilities must meet the standards stipulated by the State. An employer must provide its workers with labor safety and hygiene conditions in conformity with the regulations of the State and the necessary articles for labor protection.

According to the Interim Provisions on Labor Dispatch (勞務派遣暫行規定), promulgated by the Ministry of Human Resources and Social Security of the People’s Republic of China (中華人民共和國人力資源和社會保障部) (the “**MOHRSS**”) on January 24, 2014, and effective on March 1, 2014, an employer may employ dispatched workers in temporary, auxiliary, or substitute job positions only. An employer shall strictly control the number of dispatched workers it employs, which shall not exceed 10% of the total number of employees.

Social Security

According to the Social Security Law of the People’s Republic of China (中華人民共和國社會保險法), promulgated by the SCNPC, last amended and effective on December 29, 2018, and the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on January 22, 1999, last amended and effective on March 24, 2019, the State shall establish social security systems such as basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, family planning insurance, etc. Employers shall apply for completion of social security registration with the local social security agency. Employers shall voluntarily declare and promptly pay social security premiums in full amount; payment shall not be deferred, reduced, or exempted, not due to statutory events such as force majeure, etc.

According to the Opinions of the General Office of the State Council on Comprehensively Advancing the Consolidated Implementation of Maternity Insurance and Employees’ Basic Medical Insurance (國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見), promulgated by the General Office of the State Council (國務院辦公廳) on September 21, 2018 and effective on the same day, the maternity insurance fund shall be merged into the employees’ basic medical insurance fund with unified collection.

REGULATORY OVERVIEW

According to the Notice of the State Administration of Taxation on Implementing Further Measures to Support and Serve the Development of the Private Economy (國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知), promulgated by the STA on November 16, 2018 and effective on the same day, for payers, including private enterprises, with outstanding contributions from previous years, no centralized collection shall be organized independently.

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 of the People’s Republic of China (中華人民共和國最高人民法院) (the “**Supreme Court**”) on July 31, 2025, effective on September 1, 2025, where the employer and the laborer agree, or the laborer promises the employer, that there is no need to pay social insurance premiums, the people’s court shall determine that such agreement or promise is invalid. Moreover, where the employer fails to pay social insurance premiums in accordance with the law, and the laborer requests to terminate the labor contract, and for the employer to pay economic compensation in accordance with item (3), Article 38 of the Labor Contract Law, the people’s court shall support such a claim in accordance with the law. In such circumstances, even if there was a prior agreement exempting the employer from paying social insurance premiums, the employer remains obligated to provide economic compensation to the employee (calculated as years of service multiplied by monthly salary). The stated judicial interpretation is only a detailed explanation of the currently valid laws and regulations in the labor field in mainland China. It does not impose any requirements beyond current laws and regulations. We have never signed any contracts or promises with employees regarding exempting social insurance payments, and we have not received any complaints or lawsuits from employees. The stated judicial interpretation does not increase our obligations in the labor field.

Housing Provident Fund

According to the Regulations on the Housing Provident Fund (住房公積金管理條例) promulgated by the State Council on April 3, 1999, last amended and effective on March 24, 2019, When employing a new employee, the employer shall make registration of contribution with the housing provident fund management center within 30 days from the date of the employment, and shall go through the formalities of opening or transferring housing provident fund accounts on behalf of the employee. An employer shall pay and deposit housing provident fund on schedule and in full, and may not be overdue in the contribution or underpay the housing provident fund.

LAWS AND REGULATIONS RELATED TO INFORMATION SECURITY AND DATA COMPLIANCE

Data Privacy Security and Cross-border Data Transfer

According to the Data Security Law of the People’s Republic of China (中華人民共和國數據安全法), promulgated by the SCNPC on June 10, 2021, effective on September 1, 2021, the State establishes a data classification and hierarchical protection system to protect data by classification and level. Entities that carry out data processing activities shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations.

The Cybersecurity Review Measures (網絡安全審查辦法) (the “**CRM**”), jointly promulgated by the Cyberspace Administration of China (國家互聯網信息辦公室) (the “**CAC**”) and twelve other Chinese regulatory agencies, stipulates: (i) The purchase of network products and services by critical information infrastructure operator and the data processing activities carries out online platform operators, which affects or may affect national security, shall be subject to cybersecurity review in accordance with the CRM; (ii) to go public abroad, an issuer who possesses the personal information of more than 1 million users as an online platform operator shall file an application for cybersecurity review; and (iii) cybersecurity review may be conducted if relevant Chinese government departments believe that the issuers’ network products, services, or data processing activities affect or may affect national security.

REGULATORY OVERVIEW

According to the Several Provisions on the Management of Automobile Data Security (for Trial Implementation) (汽車數據安全管理若干規定試行), jointly promulgated by the Cyberspace Administration of China (國家互聯網信息辦公室) (the “CAC”) and four other departments, effective on October 1, 2021, automotive data includes personal information and important data involved in the process of automobile design, production, sales, use, operation and maintenance, among others. Important data means the data that may endanger national security, public interests, or the lawful rights and interests of individuals or organizations once it has been tampered with, destroyed, leaked, or illegally obtained or used, including but not limited to geographical information of sensitive areas such as military management zones, vehicle flow data, vehicle charging network operating data, exterior video and image data containing facial or license plate information, and personal information of more than 100,000 individuals. When processing personal information, data handlers shall provide clear notice and obtain consent. Important data shall be stored within the territory of China, risk assessments shall be conducted, and annual reports shall be submitted on time. Where it is truly necessary to provide important data abroad, a security assessment shall be passed.

According to the Guidelines on Security for Outbound Transfer of Automotive Data (2026)(汽車數據出境安全指引2026版), jointly promulgated by the CAC and seven other departments, effective on January 30, 2026, where an automotive data processor provides data abroad under any of the following circumstances, it shall declare a security assessment for outbound data transfer: providing important data abroad; providing personal information abroad as a critical information infrastructure operator; or having cumulatively provided abroad the personal information of one million or more individuals or sensitive personal information of 10,000 or more individuals since January 1 of the current year. Where the conditions for security assessment are not met, but the processor has cumulatively provided abroad the personal information of 100,000 or more but less than one million individuals, or less than 10,000 individuals’ sensitive personal information since January 1 of the current year, it may either enter into a standard contract for outbound transfer of personal information or obtain certification for outbound transfer of personal information.

According to the Provisions on Promoting and Regulating Cross-border Data Flows (促進和規範數據跨境流動規定), promulgated by the CAC on March 22, 2024, effective on the same day, if the data has not been informed or publicly announced as important data by relevant departments or regions, data handlers are not required to declare a security assessment for cross-border provision of the data as important data.

Personal Information Protection

According to the Civil Code of the People’s Republic of China, promulgated by the SCNPC on May 28, 2020, effective on January 1, 2021, the personal information of a natural person shall be protected by the law. Any organization or individual who needs to obtain personal information of others shall obtain the information in accordance with the law and ensure information security, and shall not illegally collect, use, process, or transmit personal information of others, nor illegally buy, sell, provide, or disclose personal information of others. The Personal Information Protection Law of the People’s Republic of China (中華人民共和國個人信息保護法), promulgated by the SCNPC on August 20, 2021, effective on November 1, 2021, further emphasizes the obligation and responsibility of processors to protect personal information, and high-level protection measures should be taken when processing sensitive personal information.

LAWS AND REGULATIONS RELATED TO SECURITY AND OVERSEAS LISTING

Securities Law

The Securities Law was promulgated by the SCNPC on December 29, 1998, last amended on December 28, 2019, and effective on March 1, 2020. The Securities Law comprehensively regulates the activities of the securities market in Chinese Mainland, including the offering and trading of securities, acquisition of listed companies, stock exchanges, securities companies, and the responsibilities of the securities regulatory authority etc. The Securities Law further stipulates that domestic enterprises issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council.

REGULATORY OVERVIEW

Overseas Listing

On February 17, 2023, with the approval of the State Council, CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and five guidelines (hereby collectively referred to as the “**Filing Rules**”), which came into effect on March 31, 2023. The Filing Rules comprehensively improved and reformed the existing regulatory system for the overseas offering and listing of securities by Chinese domestic enterprises, and standardized the direct or indirect overseas offerings or listings of such enterprises. The CSRC shall supervise and manage the overseas offerings and listings activities of domestic enterprises in accordance with the law. The CSRC and relevant competent departments of the State Council shall, in accordance with their respective responsibilities, supervise and manage domestic enterprises that offer and list overseas, as well as securities companies and securities service institutions that provide corresponding services to them domestically.

According to the Filing Rules, overseas offering and listing by domestic companies shall abide by laws, administrative regulations, and relevant state rules concerning foreign investment in China, state-owned asset administration, industry regulation, and outbound investment. Such overseas offering and listing shall not disrupt domestic market order, harm state or public interest, or undermine the lawful rights and interests of domestic investors. A domestic company that seeks to offer and list securities in overseas markets shall fulfill the filing procedure with the CSRC as per the requirements of the Filing Rules, submit relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate, and complete information on the shareholders and etc. The Filing Rules stipulate: (i) an issuer shall submit the filing materials to the CSRC within 3 working days after submitting the IPO and listing application documents overseas; (ii) an issuer issuing securities to be listed in the same overseas market after its listing overseas shall submit the filing materials to the CSRC within 3 working days of the completion of issuance; (iii) an issuer issuing securities to be listed in a different overseas market after its listing overseas shall submit the filing materials to the CSRC within 3 working days after submitting the IPO and listing application documents overseas.

The Filing Rules also stipulates that upon the occurrence of any of the material events specified below after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within 3 working days after the occurrence and public disclosure of the event: (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting. Where an issuer’s main business undergoes material changes after overseas offering and listing, and is therefore beyond the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a domestic law firm within 3 working days after the occurrence of the changes.

According to the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Enterprises (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定), promulgated by the CSRC, MOF, the National Administration of State Secrets Protection (國家保密局), and the National Archives Administration of China (中華人民共和國國家檔案局) on February 24, 2023 and effective on March 31, 2023, in the course of overseas issuance and listing of domestic enterprises, domestic enterprises and securities companies and securities service agencies which provide the corresponding services shall strictly comply with the relevant laws and regulations of the People’s Republic of China and the requirements of these Provisions, strengthen legal awareness of confidentiality of State secrets and archives administration, establish a sound system for confidentiality and archives work, adopt the requisite measures to perform the responsibilities of confidentiality and archives administration, and shall not divulge State secrets and work secrets of State agencies or harm State and public interests. To provide or publicly disclose to the relevant securities companies, securities service agencies, overseas regulatory authorities and other entities and individuals, or to provide or publicly disclose, through its overseas listing entities, any document or material involving State secrets or work secrets of State agencies, a domestic enterprise shall apply to the competent department with examination and approval authority for approval in accordance with the law, and file the same with the secrecy administration at the same level for the record.

REGULATORY OVERVIEW

H-share Full Circulation

According to the Guidelines for the Application of “Full Circulation” of Unlisted Domestic Shares of H-share Companies (H股公司境內未上市股份申請「全流通」業務指引), promulgated by the CSRC on August 10, 2023 and effective on the same day, “Full circulation” shall mean the listing and circulation on the Hong Kong Stock Exchange of the unlisted domestic shares of H-share companies (including unlisted domestic shares held by domestic shareholders before overseas listing, unlisted domestic shares additionally issued in the domestic market after overseas listing, and unlisted shares held by foreign shareholders). Subject to compliance with relevant laws and regulations as well as policy requirements concerning the administration of state-owned assets, foreign investment, and industry supervision, shareholders of unlisted domestic shares may autonomously negotiate to determine the number and proportion of shares for which circulation is to be applied, and shall entrust the H-share company to file with the CSRC. After the unlisted domestic shares are listed and circulated on the Hong Kong Stock Exchange, they shall not be transferred back to the domestic market. Shareholders of unlisted domestic shares may, in accordance with relevant business rules, reduce or increase their holdings of the company’s shares circulating on the Hong Kong Stock Exchange.

LAWS AND REGULATIONS RELATED TO U.S. OUTBOUND INVESTMENT RULE

Outbound Investment Rule

On October 28, 2024, the U.S. Department of the Treasury (“**Treasury**”) issued the Final Rule on Outbound Investment (“**Outbound Investment Rule**”), which implements Executive Order 14105, *Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern*. The Outbound Investment Rule became effective on January 2, 2025.

The Outbound Investment Rule aims to mitigate national security risks associated with U.S. persons’ certain direct and indirect investment into companies with specified connections to “countries of concern” that engage in specified “covered activities” in sensitive technologies such as semiconductors and microelectronics, quantum information technologies, and artificial intelligence systems. Currently, “countries of concern” under the Outbound Investment Rule are limited to the PRC, including the Special Administrative Region of Hong Kong (“**Hong Kong**”), and the Special Administrative Region of Macau (“**Macau**”).

As of January 2, 2025, “U.S. persons” are subject to certain compliance obligations when engaging in certain transactions with “covered foreign persons” from countries of concern (PRC, including Hong Kong, and Macau), which may include a prohibition on the transaction or a notification requirement to the U.S. Government within 30 days of completing the transaction.

On December 18, 2025, the President of the United States signed into law the Fiscal Year 2026 National Defense Authorization Act, which includes the Comprehensive Outbound Investment National Security Act of 2025 (“**COINS Act**”). The COINS Act largely codifies the core of the current Outbound Investment Rule while making certain modifications. While the COINS Act was enacted and became effective on December 18, 2025, it is not self-executing, and it does not immediately replace or amend the Outbound Investment Rule. The COINS Act is a U.S. federal statute that provides the statutory basis for further rulemaking. The COINS Act requires the Treasury to promulgate new or amended regulations within 450 days from passage (which may then amend or replace the Outbound Investment Rule) to implement the law.

If U.S. persons engage in a “covered transaction,” including a transaction that involves the acquisition of the equity interests of a “covered foreign person” that are not yet publicly traded, such U.S. persons may need to make a notification pursuant to the Outbound Investment Rule.

As advised by our International Sanction Adviser, we are not a “covered foreign person” as defined in the Outbound Investment Rule because we do not engage in any “covered activity” as defined in the Outbound Investment Rule or otherwise meet the definition of a “covered foreign person” provided in the Outbound Investment Rule. Therefore, an [REDACTED] by a U.S. person in our H Shares is neither prohibited nor subject to the notification requirements under the Outbound Investment Rule.