

REGULATORY OVERVIEW

PRC LAWS AND REGULATIONS

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section sets out a summary of relevant laws and regulations that may have material impact on our business activities.

Regulations on Product Quality

In accordance with the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People’s Congress (“SCNPC”) on February 22, 1993, and most recently amended on December 29, 2018, the seller assumes responsibility for the repair, replacement, or return of the sold product under the following circumstances: (i) the product lacks the essential properties for its intended use without prior clear indication; (ii) the product does not meet the stated standards displayed on the product or its packaging; or (iii) the product does not match the quality as described in the product information or physical sample. In cases where a consumer incurs losses due to the purchased product, the seller is obligated to compensate for these losses. Under the Civil Code of the PRC (《中華人民共和國民法典》) (the “Civil Code”), promulgated by the National People’s Congress of the PRC on May 28, 2020, and became effective on January 1, 2021, manufacturers and commercial sellers bear liability for physical injury or property loss resulting from product defects. The affected party has the right to seek compensation from either the manufacturer or the commercial seller.

Regulations on Production Safety, Chemicals, Environmental Protection and Energy Conservation Review

Production Safety

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) or the Production Safety Law, which was last amended by SCNPC on June 10, 2021 and came into effect on September 1, 2021, entities engaged in production and business activities within the PRC shall comply with the Production Safety Law and other laws and regulations related to production safety, strengthen production safety management. Entities shall establish and improve a production safety responsibility system and production safety rules, improve production safety conditions, and strengthen the standardization of production safety, raise production safety levels, and ensure production safety. The person in charge of a production and operation entity shall be fully responsible for the production safety of the entity. Violation of the Production Safety Law may result in imposition of fines and penalties, suspension of operation, an order to cease operation, depending on the circumstances of the violation, and criminal liability will be pursued if the violation constitutes a crime.

According to the Regulations on Work Safety Licenses (《安全生產許可證條例》), for an enterprise that has obtained a work safety license, it must meet comprehensive requirements regarding employee occupational safety, including establishing a robust responsibility system and operating rules, ensuring safety investments, appointing qualified safety personnel, providing necessary training and certifications for employees, securing work-related injury insurance, maintaining safe facilities and equipment, implementing occupational hazard prevention measures and supplying proper protective gear, conducting safety evaluations, monitoring major hazards, and having emergency rescue plans and resources in place.

Hazardous Chemicals

According to the Regulations on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) revised on December 7, 2013, and effective as of the same date. Hazardous chemicals entities shall possess safety conditions as required by laws, administrative regulations, and national or industry standards, establish and improve safety management rules, regulations, and post-specific safety responsibility systems, and provide safety education, legal education, and post-technical training to their employees. Employees shall undergo such education and training and may only commence work after passing the assessment; for positions with qualification requirements, personnel who have lawfully obtained the corresponding qualifications shall be assigned. On December 27, 2025, the SCNPC passed the Law of the PRC on the Safety of Hazardous Chemicals (《中華人民共和國危險化學品安全法》), which came into effect on May 1, 2026. The Law is enacted to strengthen the safety management of hazardous chemicals, prevent and reduce accidents, and safeguard people’s lives and property as well as ecological environment.

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According to the Measures for the Safety Supervision and Administration of Construction Projects of Hazardous Chemicals (《危險化學品建設項目安全監督管理辦法》), last amended on May 27, 2015 and effective on July 1, 2015 by the Ministry of Emergency Management (the former State Administration of Work Safety), the new construction, reconstruction and expansion projects of production and storage of hazardous chemicals and the chemical construction projects with the generation of hazardous chemicals within the territory of the PRC are subject to safety review. Without the safety review and the acceptance of safety facilities upon completion, the construction project shall not start construction or be put into production.

Enterprises producing hazardous chemicals must obtain a hazardous chemical work safety license in accordance with the Regulations on Work Safety Licenses (《安全生產許可證條例》) before commencing production. The state implements a licensing system for the operation (including storage operations) of hazardous chemicals; no entity or individual may engage in the trade of hazardous chemicals without a license. According to the Measures for the Administration of Hazardous Chemicals Business Licenses (《危險化學品經營許可證管理辦法》) promulgated by the State Administration of Work Safety on July 17, 2012, effective on September 1, 2012, and amended on May 27, 2015, which establish a licensing system for the operation (including storage operations) of hazardous chemicals based on the Production Safety Law of the PRC (《中華人民共和國安全生產法》) and the Administrative Regulations on the Safety of Hazardous Chemicals (《危險化學品安全管理條例》), no entity or individual may engage in the trade of hazardous chemicals without obtaining an operation license. However, production enterprises that have legally obtained a hazardous chemical work safety license do not need a separate operation license for selling their own products within the plant area, nor do port operators who have legally obtained a port operation license for engaging in hazardous chemical storage operations within the port area. According to the Administrative Regulations on the Safety of Hazardous Chemicals (《危險化學品安全管理條例》), hazardous chemical shall be stored in dedicated warehouses, dedicated sites or dedicated rooms, and shall be managed by specially assigned persons who shall establish a system for the checking and registering of dangerous chemicals as they are moved into and out of the storehouse. Entities engaged in the business of hazardous chemicals, if it stores dangerous chemicals, it shall have storage facilities that conform to the national standards and industrial standards. To transport hazardous chemicals by road, the consigner shall consign them to a carrier which has lawfully obtained a permit for road transport of hazardous goods. When consigning hazardous chemicals, the consignor shall describe to the carrier the variety, quantity and dangerous properties of the hazardous chemicals consigned for shipment as well as the emergency response measures in the case of any danger, properly pack up the hazardous chemicals consigned for shipment and put labels on the external packages thereof according to the relevant state provisions. To engage in the road transport of hazardous chemicals, one shall obtain a permit for the road transport of hazardous chemicals, and handle the registration formalities at the industry and commerce department. According to the Measures for the Administration of Registration of Hazardous Chemicals (《危險化學品登記管理辦法》), promulgated on July 1, 2012 and effective on August 1, 2012 by the Ministry of Emergency Management (the former State Administration of Work Safety), the State adopts a registration system for hazardous chemicals. A newly established producer shall go through the hazardous chemical registration prior to the completion and acceptance thereof. An importer shall go through the hazardous chemical registration prior to its first import. The original and duplicate of the hazardous chemical registration certificate shall indicate the serial number of the certificate, the name, registered address and nature of the enterprise, the registered type of hazardous chemical, the term of validity, issuing authority and date of issuance, etc. The nature of the enterprise shall be indicated if it is a producer, importer or producer (and importer) of hazardous chemicals.

Environmental Protection

According to the Ecological Environment Code of the PRC (《中華人民共和國生態環境法典》), promulgated by the National People's Congress on March 12, 2026 and came into effect on August 15, 2026, any entity that discharges or will discharge pollutants in the course of operation or other activities must implement effective environmental protection measures to control and properly handle hazardous substances such as waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of such activities. The State implements a pollutant discharge permit management system in accordance with the law.

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According to the Regulation on the Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was amended by the State Council on July 16, 2017 and came into effect on October 1, 2017, and the Interim Measures for Environmental Protection Acceptance Inspection Upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), which was promulgated by the former Ministry of Environmental Protection on November 20, 2017 and came into effect on the same day, the PRC implements a system to assess the environmental impact of construction projects. The construction entity shall submit an environmental impact report or an environmental impact statement for approval prior to the commencement of the construction project, or an environmental impact registration form as required by the environmental protection competent administrative department of the State Council for record. In addition, after the completion of a construction project for which an environmental impact report or an environmental impact statement has been prepared, the construction entity shall, in accordance with the standards and procedures prescribed by the competent administrative department of environmental protection under the State Council, conduct acceptance inspection on the supporting environmental protection facilities and prepare an acceptance report.

Energy Conservation Review

According to the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), which was last amended by the SCNPC on October 26, 2018 and came into effect on the same day, the State shall implement an energy conservation assessment and audit system for fixed asset investment projects. For projects which do not meet the compulsory energy conservation standards, the developer shall not commence construction; where the construction is completed, the project shall not be put into production or use.

According to the Measures for the Energy Conservation Review and Carbon Emission Assessment of Fixed Asset Investment Projects (《固定資產投資項目節能審查和碳排放評價辦法》) promulgated by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) (“NDRC”) on July 17, 2025 and took effect on September 1, 2025, the review opinions on energy conservation of a fixed asset investment project are an important basis for the commencement of construction, acceptance upon completion as well as operation and management of such project. For a project which has not undergone the energy conservation review or fails to pass the energy conservation review, the project owner shall not commence construction, or the project shall not be put into production or use if it is already completed.

Regulations on Fire Safety

According to the Fire Protection Law of the PRC (《中華人民共和國消防法》), which was last amended by the SCNPC on April 29, 2021 and took effect on the same day, the emergency management department under the State Council and the emergency management department under the local people’s governments at or above the county level shall supervise and manage fire protection work. Fire prevention design and construction must comply with national technical standards for fire protection in construction projects.

According to the Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) which was last amended by the Ministry of Housing and Urban-Rural Development of PRC on August 21, 2023 and officially came into effect on October 30, 2023, fire prevention design review and acceptance should be carried out for special construction projects. With respect to the construction projects other than special construction projects, the fire protection acceptance of construction projects shall be filed with the competent authorities.

Regulations on Leasing

According to the PRC Civil Code, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor.

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On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

On July 16, 2025, the State Council promulgated the Regulation on Residential Property Leasing (《住房租賃條例》), which took effect on September 15, 2025. According to this regulation, the lessor shall submit the residential property lease contract to the real estate administration department of the place where the leased property is located for recordation, through the residential property leasing management service platform or by other means as required by applicable provisions. If the lessor fails to submit the contract for recordation, the lessee may proceed with the recordation.

Regulations on Intellectual Property

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by SCNPC on August 23, 1982, most recently amended on April 23, 2019 and effective from November 1, 2019, and the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, later amended on April 29, 2014 and effective from May 1, 2014, registered trademarks are granted a term of ten years which may be renewed for consecutive ten-year periods upon request by the trademark owner. On June 26, 2026, the SCNPC revised and adopted the Trademark Law of the PRC (《中華人民共和國商標法》), which will come into effect on January 1, 2027.

Copyright

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

Patent

In accordance with the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC, which was latest amended in October 2020 and became effective on June 1, 2021, and its Implementation Rule, patent is divided in to three categories, i.e., invention patent, design patent and utility model patent. The duration of invention patent right, design patent right and utility model patent right shall be 20 years, 15 years and ten years, respectively, which all calculated from the date of application. Implementation of a patent without the authorization of the patent holder shall constitute an infringement of patent rights, and shall be held liable for compensation to the patent holder and may be imposed a fine, or even subject to criminal liabilities.

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Regulations on Employment and Social Welfare

Employment

The major PRC laws and regulations that govern employment relationship are the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”) and its implementation, which impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

Social Insurance

The PRC Social Insurance Law (《中華人民共和國社會保險法》) (the “**Social Insurance Law**”) issued by the SCNPC in 2010 and latest amended on December 29, 2018, has established social insurance systems of basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to the Social Insurance Law and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and most recently amended on March 24, 2019 and effective from the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

Pursuant to the Interpretation II of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) (“**Interpretation II**”), which took effect on September 1, 2025, any agreement between an employer and an employee or any commitment made by an employee to the employer stating that social insurance premiums need not be paid shall be deemed invalid by the people’s court. If an employer fails to pay social insurance premiums in accordance with the law, and the employee requests to terminate the labor contract and claims economic compensation pursuant to Article 38 of the Labor Contract Law, the people’s court shall support such claims in accordance with the law. In the circumstances described in the preceding paragraph, if the employer subsequently pays the social insurance premiums in accordance with the law and requests the employee to return the compensation already paid for the social insurance premiums, the people’s court shall support such requests in accordance with the law. As advised by our PRC Legal Advisor and our Directors are of the view that, the Interpretation II is not expected to have a material adverse impact on our operation which is mainly because (i) as of the Latest Practicable Date, we had not signed any agreement with our employee or our employee had not committed to give up paying their social insurance, and (ii) during the Track Record Period and up to the Latest Practicable Date, we had not encountered any major complaints, reports or labor disputes related to social insurance.

Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and amended on March 24, 2002, and March 24, 2019, enterprises must register at the designated administrative centers and open bank accounts for depositing employees’ housing provident funds. Employers and employees

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are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the people’s court will be applied. In case of failure to register and open accounts for depositing employees’ housing provident funds, the housing fund management center shall order employers to go through the formalities within a specified period, where employers fail to do such formalities within the prescribed time, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. On August 10, 2026, the State Council promulgated the Decision of the State Council on Amending the Regulations on the Administration of Housing Provident Fund (《國務院關於修改〈住房公積金管理條例〉的決定》), which will come into effect on September 20, 2026.

Regulations on Tax

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC and was latest amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council and was latest amended in December 2024, collectively referred to as the Enterprise Income Tax Law, a uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC’s government will enjoy a reduced tax rate of 15% for Enterprise Income Tax.

Value-added Tax

Pursuant to the Value-added Tax Law of the PRC (《中華人民共和國增值稅法》) and Regulations of the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法實施條例》), which were promulgated by the SCNPC on December 25, 2024, and took effect on January 1, 2026, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the value-added tax. According to the Notice of the Ministry of Finance and the State Taxation Administration on the Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) effective in May 2018, the value-added tax rates of 17% and 11% on sales, imported goods shall be adjusted to 16% and 10%, respectively. According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and effective from April 1, 2019, the value-added tax rates of 16% and 10% on sales, imported goods shall be adjusted to 13% and 9%, respectively.

Dividends Distribution

The principal laws, rules and regulations governing dividend distributions by foreign invested enterprises in the PRC are the Company Law of the PRC, promulgated in 1993 and latest amended in 2023, and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

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Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Regulations on Overseas Direct Investment

The Administrative Measures for Outbound Investment Management (《境外投資管理辦法》) was promulgated by the Ministry of Commerce of the PRC (中華人民共和國商務部) (“MOFCOM”) on September 6, 2014 and came into effect on October 6, 2014. As defined by the Measures for Overseas Investment Management, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration. Local enterprises shall file with the provincial commercial administration authorities where they are located. The qualified enterprises will be put into record and granted with Overseas Investment Certificate for Enterprise by the relevant provincial commercial administration authorities.

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

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) (“SAFE”) on February 13, 2015 and came into effect on June 1, 2015, it has canceled the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under overseas direct investment in accordance with this notice and the attached Operational Guidelines for Foreign Exchange Business of Direct Investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

Regulations on Foreign Investment

The Company Law of the PRC (《中華人民共和國公司法》), promulgated by the SCNPC of the PRC (the “SCNPC”) on December 29, 1993, last amended on December 29, 2023 and came into effect on July 1, 2024, governs the establishment, operation and management of companies in the PRC, including foreign-invested companies. Unless foreign investment laws provide otherwise, foreign invested companies shall abide by the Company Law of the PRC.

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), the Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) and Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which became effective on January 1, 2020, the State Council establishes a foreign investment information report system. Foreign investors or foreign — funded enterprises shall

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submit investment information to the competent department for commerce concerned through the enterprise registration system and the enterprise credit information publicity system. For foreign investment enterprises investing in China and establishing an enterprise (including multi-level investment), upon completion of registration filing and submission of annual report information to the market regulatory authorities, the relevant information shall be forwarded by the market regulatory authorities to the commerce administrative authorities, and these enterprises are not required to submit separately.

Foreign investment in the PRC is subject to the Catalog of Industries for Encouraging Foreign Investment (2025 edition) (《鼓勵外商投資產業目錄(2025年版)》), amended on December 15, 2025 and effective since February 1, 2026 and the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**Negative List**”), amended on September 6, 2024 and effective since November 1, 2024, both of which issued by the NDRC and the MOFCOM. According to the Negative List, foreign investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are generally deemed “permitted” for foreign investments.

According to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on December 19, 2020 and became effective on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof.

Regulations on Foreign Exchange

Regulations relating to Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

The SAFE issued the Circular on Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**SAFE Circular 19**”) on March 30, 2015, and it became effective on June 1, 2015, which was partially repealed on December 30, 2019, and latest amended on March 23, 2023. The SAFE Circular 19 expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. In June 2016, SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**SAFE Circular 16**”), which was amended on December 4, 2023, among other things, amends certain provisions of SAFE Circular 19. Pursuant to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

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In October 2019, SAFE issued the Circular of Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was amended on December 4, 2023, or SAFE Circular 28, which cancels the restrictions on domestic equity investments by capital fund of non-investment foreign invested enterprises and allows non-investment foreign invested enterprises to use their capital funds to lawfully make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), or SAFE Circular 8, issued by SAFE in April 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction. The handling banks shall conduct spot checks afterwards in accordance with the relevant requirements. The interpretation and implementation in practice of SAFE Circular 28 and SAFE Circular 8 are still subject to substantial uncertainties given they are newly issued regulations.

Regulations relating to Stock Incentive Plans

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “SAFE Circular 7”), promulgated by SAFE in February 2012, employees, directors, supervisors, and other senior management participating in any share incentive plan of an overseas publicly-listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic agency. Moreover, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests.

The income of foreign exchange PRC residents by selling out the shares according to the equity incentive plan and the dividend distributed by the overseas-listed company shall be distributed to the PRC residents after being remitted to the bank account in China opened by the domestic institutions.

Regulations on Securities and Overseas Listings

Securities Laws and Regulations

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

REGULATORY OVERVIEW

Overseas Listings

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

The Overseas Listing Regulations provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Additionally, the Overseas Listing Regulations stipulates that after an issuer has offering and listing securities in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of (i) a change of control thereof, (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities, (iii) changes of listing status or transfers of listing segment, and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Provision on Confidentiality**”). Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

HUNGARY LAWS AND REGULATIONS

Product liability

Under the applicable product liability regime, a manufacturer may objectively be held liable for damages caused by a defective product irrespective of fault. A product is considered defective if it fails to provide a level of safety generally expected, with special regard to the purpose of the product and the way in which it can be reasonably expected to be used, the information provided in connection with the product, the date of the sale of the product, and the current state of scientific and technological achievements.

REGULATORY OVERVIEW

Chemical safety

Businesses placing chemical products or products containing regulated substances on the Hungarian market must ensure compliance with all applicable classification, labelling and packaging requirements, fulfil any applicable notification and registration obligations, and provide safety documentation where required. Products intended for professional or industrial users may also need to be accompanied by a compliant safety data sheet prepared in accordance with the applicable regulations.

Construction permitting

Local building and zoning regulations generally determine the permitted use of the real properties, the maximum buildable area, building height restrictions, environmental limitations, heritage protection status and other construction limitations which may affect a given real property. Construction works to be carried out to real properties – depending on the characteristics of the real property and the scale and type of works: (a) require a building permit; (b) require prior notification to the authority; or (c) can be performed without a permit or prior notification to the authority. Where a construction permit is required, an application therefor shall be submitted to the building authority. Such application shall contain, among others, architectural drawings, site plans, technical specifications, structural engineering documentation, specialist engineering documentation (as applicable) and other statutory supporting documents. Certain construction works might require additional permits and approvals besides the building permit such as an environmental permit, nature conservation or cultural heritage approvals. During the construction, the developer may be required to appoint qualified technical professionals, maintain statutory construction documentation (including, where applicable, the electronic construction log), and comply with occupational safety and other regulatory obligations.

Occupational health and safety

The employer bears the primary responsibility for ensuring that employees are provided with safe and healthy working conditions throughout the course of employment. Employers are required to identify and assess workplace risks on a continuous basis and to implement appropriate preventive measures aimed at eliminating or minimizing such risks. This obligation includes maintaining safe workplaces and work equipment, providing occupational safety training, supplying personal protective equipment where necessary, and investigating workplace accidents and occupational illnesses.

Foreign Direct Investment (“FDI”) Authorization

Under the General and the Specific FDI Regimes, numerous types of transactions are covered, for example the acquisition of ownership interest or dominant interest in a Hungarian company, the registration of a new branch office in Hungary carrying out a listed activity, capital increase, mergers, demergers or transformations to another company form, issuance of bonds, the establishment of a “usufruct” right over equity or the transfer of use or operational rights of infrastructure and assets which are indispensable for the operation of strategic companies. The covered transactions might either be subject to FDI-notification depending on their size and volume or irrespective thereof, as prescribed by law. The affected transaction shall be notified by the investor to the competent minister acting as FDI-authority within 10 days after the execution of the respective transaction documents. The FDI-authority decides on the permissibility of the transaction. If the FDI-authority does not acknowledge the transaction subject to the FDI-notification, it cannot be validly consummated. The consummation of a transaction not acknowledged by the FDI-authority can not only lead to the invalidity of such transaction but also to the imposition of substantial fines to the investor.