
REGULATORY OVERVIEW

THE PRC LAWS, REGULATIONS AND POLICIES

This section summarizes the major PRC laws, regulations and policies relevant to the Company’s daily business operations currently carried out in the PRC.

POLICIES RELATING TO THE TRANSFORMER EQUIPMENT, POWER SUPPLIES AND MAGNETIC COMPONENT PRODUCTS INDUSTRY

According to the Work Plan for Stable Growth in the Power Equipment Industry (2025–2026) (《電力裝備行業穩增長工作方案(2025–2026年)》) jointly issued by three ministries and commissions including the Ministry of Industry and Information Technology (“MIIT”) on and effective from September 12, 2025, the main objectives for 2025–2026 are as follows: the average annual revenue growth rate of traditional power equipment will be maintained at around 6%, while revenue from new energy equipment will see steady growth; the output of power generation equipment will remain within a reasonable range, ensuring an effective supply. The export volume of new energy equipment is expected to increase; the driving role of key regions and enterprises will be strengthened. The average annual revenue of national advanced manufacturing clusters in the power equipment sector will grow by approximately 7%, and that of leading enterprises will rise by around 10%; breakthroughs and widespread application of a number of benchmark equipment will be promoted; the standard system in the field of power equipment will be improved, through which the quality improvement of power equipment and update of large-scale equipment will be driven; the technical standards of transformers and motors will be upgraded; the deep integration of the new generation of information technology and power equipment will be promoted; the energy efficiency level of electric motors, transformers, and power distribution equipment will be improved. Furthermore, the plan emphasizes leveraging bilateral and multilateral cooperation mechanisms to deepen cooperation with emerging market countries across the entire value chain of wind power, photovoltaics, and energy storage, guide enterprises to conduct overseas deployment in a rational and orderly way, enhance product quality, and build a strong brand image in power equipment.

According to the Action Plan for High-Quality Development of New Energy Storage Manufacturing Industry (《新型儲能製造業高質量發展行動方案》) promulgated by eight ministries and commissions including the MIIT on February 10, 2025 and implemented on the same date, new energy storage manufacturing industry is comprehensively deployed and promoted towards high-quality development, injecting strong momentum into the construction of the modern industrial system and energy transformation and upgrading. The plan also highlights that by 2027, China’s new energy storage manufacturing industry will demonstrate distinct international competitive advantages across the entire chain, with a further expansion of leading enterprise echelons. Moreover, the industry’s capacity for innovation and overall competitiveness will see substantial improvement, achieving high-end, intelligent, and sustainable development.

According to the Action Plan for Accelerating the Establishment of a New Power System (2024–2027) (《加快構建新型電力系統行動方案(2024–2027年)》), which was promulgated by the NDRC, the National Energy Administration (“NEA”), and the National Data Bureau on July 25, 2024 and implemented on the same date, the state will promote and implement a number of collaborative projects between computing power and electric power. The data center development needs and new energy resource endowments will be planned in an overall manner, source, load and storage resources will be integrated scientifically, and coordinated planning and layout of computing power and power infrastructure will be carried out. Resources will be integrated and adjusted, the level of collaborative operation of computing power and electricity will be improved, the proportion of green electricity in data centers will be increased, and the demand for grid guarantee capacity will be reduced.

According to the Green and Low-Carbon Transformation Industry Guidance Catalog (2024 Edition) (《綠色低碳轉型產業指導目錄(2024年版)》) promulgated by the NDRC on February 2, 2024 and implemented on the same date, manufacturing of energy-saving transformers, rectifiers,

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inductors, and welders, manufacturing of energy measurement, testing, monitoring, and control equipment, manufacturing of wind power equipment, manufacturing of smart grid products and equipment were included in the catalog.

According to the Guiding Opinions on Promoting the Development of the Energy Electronics Industry (《關於推動能源電子產業發展的指導意見》), which were jointly promulgated by the MIIT and other five departments on January 3, 2023, and came into effect on the same day, energy electronics industry refers to the electronic information technology and products that are used to produce, serve, and apply energy, mainly including new energy storage batteries and other fields. One of the development goals set out in these Opinions is to encourage enterprise-led and market-oriented research and development activities featuring industrial application and expand the supply of intelligent diversified products and services such as PV power generation systems, new energy storage systems, and new energy microgrids. Deep integration in key fields of energy electronics shall be promoted, and the capacity of new energy production, storage, transmission and distribution, and terminal application will be enhanced.

According to the Action Plan for Industrial Energy Efficiency Improvement (《工業能效提升行動計劃》), which were jointly promulgated by the MIIT and other five departments on June 23, 2022, and implemented on the same day, aiming to achieve a comprehensive improvement in the energy efficiency of major industrial sectors, a substantial rise in energy efficiency in key areas such as data centers, and an increase in the proportion of green low-carbon energy use. The action set a slew of targets for a wide range of industries, seeking to bring the proportion of new energy-efficient motors to over 70 percent by 2025 and that of new energy-efficient transformers to more than 80 percent.

LAWS AND REGULATIONS ON COMPANIES

The establishment, operation and governance of corporate entities in the PRC is governed by the Company Law of PRC (《中華人民共和國公司法》) (the “**PRC Company Law**”), which was issued by the SCNPC on December 29, 1993, last revised on December 29, 2023 and became effective on July 1, 2024. Limited liability companies and stock limited companies established in the PRC shall be subject to the PRC Company Law. A foreign-invested company is also subject to the PRC Company Law unless otherwise provided by the foreign investment laws.

LAWS AND REGULATIONS ON FOREIGN INVESTMENT

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which was promulgated by the NPC on March 15, 2019 and came into effect on January 1, 2020, specifies that the state shall implement the management system of pre-entry national treatment and the Negative List for foreign investment. Pre-entry national treatment refers to the treatment accorded to foreign investors and their investments at the stage of investment entry which is no less favourable than the treatment accorded to domestic investors and their investments; Negative List refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the state. The state provides national treatment to foreign investments outside the Negative List. In addition, the Regulations on Implementing the Foreign Investment Law of the PRC (“**Implementation Regulations**”) (《中華人民共和國外商投資法實施條例》), which were promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020, further stipulate that the state shall, in accordance with the needs of the national economy and social development, formulate a catalog of industries for encouraging foreign investment, setting out the specific industries, fields and regions in which foreign investors will be encouraged and induced to invest.

The NDRC and the MOFCOM jointly revised and promulgated the “the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2024 Version)” (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**Negative List**”) on September 6, 2024, which came into effect on November 1, 2024, replacing the previous Negative List, pursuant to which, domestic enterprises engaged in business sectors prohibited under the Negative List that seek to issue shares and list overseas shall be subject to review and approval by the relevant national

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competent authorities, and foreign investors are not allowed to participate in the operation and management of the enterprise and their shareholding ratios shall be implemented with reference to the relevant regulations on the management of domestic securities investment by foreign investors.

According to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) (the “**Measures**”) promulgated by NDRC and MOFCOM on December 19, 2020 and effective from January 18, 2021, foreign investments that have an actual or potential impact on national security are subject to security review in accordance with the provisions of the Measures. Foreign investors or relevant domestic parties who intend to invest in the following areas should proactively apply to the mechanism’s office for a security review prior to implementation of the investment: (1) investment in defense, defense support and related sectors that have a bearing on national defense security, as well as investment in areas surrounding military and defense facilities; (2) investment in important agricultural products, important energy and resources, major equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies, and other important sectors related to national security, while obtaining actual control over the invested enterprise.

REGULATIONS ON OVERSEAS INVESTMENT

Pursuant to the Administrative Measures for Outbound Investment (《境外投資管理辦法》) promulgated by the MOFCOM on September 6, 2014 and effective from October 6, 2014, the MOFCOM and provincial competent commerce departments shall carry out administration either by record-filing or by verification and approval depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves sensitive countries and regions or sensitive industries shall be subject to administration by verification and approval. Outbound investment that falls under any other circumstances shall be subject to administration by record-filing.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) promulgated by NDRC on December 26, 2017 and effective from March 1, 2018, domestic enterprises (the “**investors**”) in the PRC making an outbound investment shall go through verification and approval or record-filing or other procedures applicable to outbound investment projects (the “**Projects**”), report relevant information, and cooperate with the supervision and inspection. Sensitive Projects carried out by the investors directly or through overseas enterprises controlled by them shall be subject to the management of verification and approval; non-sensitive Projects directly carried out by the investors, namely, non-sensitive projects involving the investors’ direct contribution of assets or rights and interests or provision of financing or security, shall be subject to the management of record-filing. The aforementioned sensitive project means a project involving sensitive countries and regions or a sensitive industry. The NDRC promulgated the Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》), effective on March 1, 2018 to list the sensitive industries for foreign investment in detail.

According to the “Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment” (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) issued by the SAFE on February 13, 2015 and effective from June 1, 2015, the approval of foreign exchange registration for direct investment is canceled. Banks directly review and handle the foreign exchange registration for overseas direct investment. The State Administration of Foreign Exchange and its branches indirectly supervise the registration of foreign exchange for overseas direct investment through banks.

On April 3, 2024, the SAFE promulgated the Guidelines of Capital Account Foreign Exchange Business (2024 Version) (《資本項目外匯業務指引(2024年版)》), which came into effective on May 6, 2024, and stipulates guidelines for the capital account foreign exchange business.

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Pursuant to the Provisions of the State Council on Outbound Investment (《國務院關於對外投資的規定》), promulgated by the State Council on May 5, 2026 and effective from July 1, 2026, PRC investors shall complete the requisite approval, filing, information reporting, cross-border capital registration or other formalities in accordance with applicable PRC laws and regulations when conducting outbound investment activities.

LAWS AND REGULATIONS RELATING TO CYBERSECURITY AND DATA SECURITY

According to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) promulgated by the SCNPC on November 7, 2016 and came into effect on June 1, 2017, last revised on October 28, 2025 and became effective on January 1, 2026, the State promotes the construction of a socialized service system for cybersecurity and encourages relevant enterprises and institutions to provide security services such as cybersecurity certification, testing and risk assessment. Critical information infrastructure operators that intend to purchase internet products and services that may affect national security must be subject to the national security review organized by the national cyberspace authority in conjunction with relevant departments under the State Council. Furthermore, operators of key information infrastructure shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC. Where cross-border transfer of such data is necessary for business, unless otherwise provided for in laws and administrative regulations, a security assessment shall be conducted in accordance with the measures formulated by the national cyberspace authority in conjunction with the relevant departments under the State Council.

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**”), effective from September 1, 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or organizations when such data is tampered with, destroyed, divulged, or illegally acquired or used. Appropriate protection measures are required to be taken for each respective category of data. For example, a processor of important data shall designate the personnel and the management body responsible for data security, carry out risk assessments for its data processing activities, and file the risk assessment reports with the competent authorities; the central national security leadership organization is responsible for coordinating the decision-making and discussion of national data security matters. In addition, the Data Security Law provides that a national security review procedure should be performed for those data activities which may affect national security and export restrictions should be imposed on certain data and information. Without the approval of the competent PRC authorities, entities or individuals within the territory of the PRC may not provide foreign judicial or law enforcement authorities with the data stored within the territory of the PRC.

On September 24, 2024, the State Council promulgated the Administrative Regulations for Internet Data Security (《網絡數據安全管理條例》) (the “**Data Security Regulations**”), which came into effect on January 1, 2025. Pursuant to the Data Security Regulations, internet data processors shall conduct national security examination in accordance with relevant state regulations if their internet data processing activities affect or may affect national security. The state internet information departments shall coordinate and integrate the establishment of a special working mechanism for the management of national data export security by relevant departments, research and formulate policies related to the management of national internet data export security, and coordinate the handling of major issues related to internet data export security. The Data Security Regulations stipulates that an internet data processor may provide personal information outside of the PRC if one of the following conditions is met: (I) it has passed the data export security assessment organized by the state internet information departments; (II) it has undergone personal information protection certification by a professional organization in accordance with the requirements of the state internet information departments; (III) it conforms to the regulations on standard contract for personal information export formulated by the state internet information departments; (IV) it is indeed necessary to provide personal information outside of the PRC for the

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purpose of entering into and performing a contract to which the individual is a party; (V) it is indeed necessary to provide personal information of employees outside of the PRC for the purpose of implementing the cross-border human resources management in accordance with the labor rules and regulations formulated in accordance with the law and the collective contract signed in accordance with the law; (VI) it is indeed necessary to provide personal information outside of the PRC for the purpose of fulfilling the legal duties or legal obligations; (VII) it is indeed necessary to provide personal information outside of the PRC for the purpose of protecting the life, health and property safety of natural persons in case of emergencies; (VIII) other conditions stipulated by laws, administrative regulations or the state internet information departments.

On December 28, 2021, the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室) (the “CAC”), the NDRC, the MIIT and several other PRC governmental authorities jointly promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), these Measures took effect on February 15, 2022 and replaced the former Cybersecurity Review Measures promulgated on April 13, 2020. Pursuant to the Cybersecurity Review Measures, a critical information infrastructure operator that purchases network products and services, or an internet platform operator that conducts data processing activities, which affect or may affect national security, shall be subject to a cybersecurity review according to the Measures. In addition, the internet platform operator which processes the personal information of more than one million users and intends to be listed on a foreign stock exchange must be subject to a cybersecurity review. And the Cybersecurity Review Office under the CAC is responsible for developing institutions and norms on cybersecurity review and organizing cybersecurity reviews.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the “**Patent Law**”) promulgated by the SCNPC on March 12, 1984, last revised on October 17, 2020 and effective from June 1, 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001, last revised on December 11, 2023 and effective from January 20, 2024, there are three types of patents, namely invention, utility model and design. Invention patents are valid for 20 years, while utility model patents are valid for 10 years and design patents are valid for 15 years, all starting from the date of application. After the granting of a patent for an invention or utility model, unless otherwise provided for in the Patent Law, no entity or individual may exploit the patent without the permission of the patentee; after the granting of a design patent, no entity or individual shall, without permission of the patentee, exploit the patent, that is, they shall not make, promise to sell, sell, or import the product incorporating its or his patented design, for production and business purposes.

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) (the “**Trademark Law**”) promulgated by the SCNPC on August 23, 1982, and latest amended on June 26, 2026 and will come into effect on January 1, 2027, and the Regulation on the Implementation 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, last amended on April 29, 2014 and came into effect on May 1, 2014 stipulate the application, examination and approval, renewal, modification, transfer, use and invalidation of trademark registration, and protect the exclusive right to use a trademark enjoyed by the trademark registrant. The Trademark Office of China National Intellectual Property Administration (the “**Trademark Office**”) is responsible for the registration of trademarks. The valid period of a registered trademark shall be ten years from the date of approval of the registration. Upon expiry of the valid period, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry as required if the registrant needs to continue to use the trademark. If the registrant fails to do

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so within the period, an extension period of six months may be granted. Valid period for each renewal is ten years from the next day after expiry of the previous valid term. The Trademark Office shall announce the trademarks subject to renewal of registration.

Moreover, according to the Trademark Law and the Regulation on the Implementation of the Trademark Law of the PRC, the trademark registrant may, by concluding a trademark licensing contract, authorize others to use the registered trademark. For licensed use of a registered trademark, the licensor shall file record of the licensing of the said trademark with the Trademark Office, while non-filing of the licensing of a trademark shall not be contested against a good faith third-party. The licensor shall supervise the quality of the goods on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods on which the registered trademark is used.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, last revised on November 11, 2020 and effective on June 1, 2021, and the Implementation Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, last revised on January 30, 2013 and effective on March 1, 2013, works of PRC citizens, legal persons or unincorporated organizations, whether published or not, shall enjoy copyright in accordance with law. Works refer to intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form. A copyright holder shall enjoy a number of personal and property rights, including the right of publication, the right of authorship and the right of amendment.

According to the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001, last revised on January 30, 2013 and effective on March 1, 2013, and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration of the PRC on February 20, 2002, computer software refers to computer programs and their associated documentation. Chinese citizens, legal persons or other units shall enjoy the copyright for software they develop, regardless of whether it has been published. Software copyright arises from the date of completion of software development. The protection period of the software copyright of legal persons or other units shall be 50 years, ending on December 31, of the fiftieth year after the first publication of the software. Software which has not been published for 50 years since the date of completion of software development shall not be under protection.

Domain Names

According to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017, which came into effect on November 1, 2017, the MIIT is responsible for the supervision and management of China's domain name services. No organization or individual shall impede the safe and stable operation of the Internet domain name system.

REGULATIONS RELATING TO HOUSE LEASING

Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》), which was promulgated by the SCNPC on July 5, 1994, was last revised on August 26, 2019 and came into effect on January 1, 2020, in case of house leasing, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, usage, rental and repair liabilities, as well as other rights and obligations of both parties, and go through registration and filing procedures with the real estate administration department.

In addition, according to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010 and came into effect on February 1, 2011, within

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30 days after the conclusion of the house leasing contract, the parties involved in the house leasing shall carry out house leasing registration with the construction (real estate) administrative department of the people’s government of a municipality directly under the central government of the PRC, city or county where the house leased is located. If individuals or entities are in violation of the above provisions, they may be ordered to make corrections within a specified time limit by the competent construction (real estate) department of the people’s government of a municipality directly under the central government, city or county. If any individual fails to do so, a fine of less than RMB1,000 will be imposed, while if any entity fails to do so, a fine of more than RMB1,000 but less than RMB10,000 will be imposed.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993, last revised on December 29, 2018, producers and sellers shall establish a sound internal product quality control system and strictly adhere to a job responsibility system in relation to quality standards and quality liabilities together with implementing corresponding examination and inspection measures. The counterfeiting or imitation of quality marks such as certification marks, falsifying the place of origin of products, and falsifying or imitating the name or address of another factory or adulteration of, or mixing of improper elements with products, passing off the sham as the genuine or passing off the inferior as the superior is prohibited.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT TRADE

According to the Customs Law of the PRC (《中華人民共和國海關法》), which was promulgated by the SCNPC on January 22, 1987 and last revised on April 29, 2021, unless otherwise stipulated, the customs declaration of imported and exported goods and the payment of customs duties may be handled by the consignees or consignors of the goods or the entrusted customs declaration enterprises. The consignee or the consignor of imported or exported goods and the customs declaration enterprise are required to complete customs declaration and filing procedures at the relevant customs in accordance with the law.

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994, last revised on December 27, 2025 and became effective on March 1, 2026, and the Regulation of the PRC on the Administration of the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council on December 10, 2001, last revised on March 10, 2024 and became effective on May 1, 2024, the PRC Government permits the free import and export of goods, but may restrict or prohibit such import or export on statutory grounds.

In accordance with the Export Control Law of the PRC (《中華人民共和國出口管制法》) (“**Export Control Law**”), promulgated by the SCNPC on October 17, 2020 and effective from December 1, 2020, and the Regulations of the PRC on Export Control of Dual-use Items (《中華人民共和國兩用物項出口管制條例》) (“**Export Control of Dual-use Items Regulations**”), promulgated by the State Council on September 30, 2024 and effective from December 1, 2024, China controls the export of dual-use items, military goods, nuclear and other goods, technologies, services and other items that are relevant to safeguarding the security and interests of China and fulfilling its international obligations in the area of non-proliferation. Under the Export Control Law and the Export Control of Dual-use Items Regulations, exporters are required to obtain export licenses prior to the export of items identified by the PRC State Council and the Central Military Commission of the PRC as subject to export controls. The regime also provides mechanisms for regulating exports based on end-users and destinations, including through the maintenance of (i) a Control List (管控名單) which identifies importers and end-users of concern who are subject to corresponding restrictive measures; and (ii) a Watch List (關注名單) which identifies importers and end-users that have failed to cooperate with MOFCOM in its end-use and end-user verification exercises, and would therefore face additional scrutiny in obtaining export licences.

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LAWS AND REGULATIONS RELATING TO SANCTIONS

According to the Anti-Foreign Sanctions Law of the PRC (《中華人民共和國反外國制裁法》), which was promulgated by the SCNPC on June 10, 2021 and effective on the same date, and the Provisions on Implementing the Anti-Foreign Sanctions Law of the PRC (《實施《中華人民共和國反外國制裁法》的規定》) published on March 23, 2025 and effective on the same date, the PRC may impose counter-sanctions measures against individuals or organisations that are considered to be actively pursuing or involved in the decision-making in relation to, or the formulation or enforcement of, “discriminatory restrictive measures” against the PRC, or that are otherwise considered to be threatening the PRC’s national interests. Such individuals or organisations may be placed on the counter-sanctions list. Depending on the scope of each countermeasure, individuals or entities related to the designated persons may also be affected. The countermeasures imposed typically include: (1) visa and entry denial or deportation; (2) asset freezes or seizures in the PRC; and (3) prohibiting or restricting dealings between the designated persons and organisations and individuals in the PRC. MOFCOM may also impose other measures as necessary.

Furthermore, the Ministry of Foreign Affairs has, under a separate sanctions regime, imposed sanctions on certain foreign individuals and entities, with the applicable measures typically including entry bans (which may extend to Hong Kong and Macau), asset freezes within the PRC, and restrictions on transactions or other dealings with organizations and individuals in the PRC.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL INSURANCE

Labor Law and Labor Contract Law

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) last revised by the SCNPC on December 29, 2018 and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) last revised by the SCNPC on December 28, 2012 and came into effect on July 1, 2013, a labor contract shall be concluded when a labor relationship is established. Employers shall establish and improve labor rules and systems in accordance with the law to safeguard employees’ labor rights and fulfillment of labor obligations.

Social Insurance and Housing Provident Fund

In accordance with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) last revised and put into effect by the SCNPC on December 29, 2018, the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) last revised and put into effect by the State Council on March 24, 2019, social insurance system has been established for basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. Enterprises shall register social insurance with local social insurance agency and participate in social insurance. Enterprises and employees shall pay their social insurance premiums in full and in a timely manner. 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 of 0.05% of the delayed payment per day from the date on which the payment is payable. 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.

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) which was last revised and put into effect by the State Council on March 24, 2019, enterprises shall register at the housing provident fund management center to pay housing provident funds and open housing provident fund accounts for their employees. Enterprises are required to pay housing provident funds on behalf of their employees in full and in a timely manner. With respect to any entity that fails to make deposit registration of the housing provident fund or fails to complete the housing provident fund account establishment procedures for its employees, such entity shall be ordered by the housing provident fund management center to complete such procedures within a prescribed time limit where failing to do so at the expiration of the time limit, a fine of not less than

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RMB10,000 nor more than RMB50,000 shall be imposed. Furthermore, if an employer is overdue in the contribution of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the contribution within a prescribed time limit; where the contribution has not been made after the expiration of the time limit, an application may be made to a people’s court for compulsory enforcement.

Pursuant to the Interpretation II of the Supreme People’s Court of 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)》) which was enacted by the Supreme people’s Court and came into effect on September 1, 2025, any agreement or employee undertaking to waive social insurance contributions shall be deemed null and void by the people’s court. In the event of an employer’s failure to make legal social insurance contributions, the employee shall be entitled to rescind the labor contract and request economic compensation in accordance with the PRC Labor Contract Law.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

Pursuant to the EIT Law (《中華人民共和國企業所得稅法》) promulgated by the SCNPC and last revised and took effect on December 29, 2018, and the Regulations 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》) (“**Regulations on the Implementation of the EIT Law**”), which were promulgated by the State Council on December 6, 2024, revised and took effect on January 20, 2025, a uniform enterprise income tax rate of 25% is imposed on both foreign invested enterprises and domestic enterprises, but tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced by 20% for qualifying small low-profit enterprises. The Chinese government provides key support to high-tech enterprises, which are subject to a reduced enterprise income tax rate of 15%.

Value-added Tax

Pursuant to the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), promulgated by the NPCSC on December 25, 2024, came into effect on January 1, 2026 and repealed the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) simultaneously, entities and individuals (including individual industrial and commercial proprietors) selling goods, services, intangible assets, real estate and importing goods within the territory of the PRC are taxpayers of VAT and shall pay VAT in accordance with the provisions of the law. Unless stated otherwise, for payers who sell goods, and provide processing, repairs and replacement services and rental services of tangible movable assets as well as import goods, the tax rate shall be 13%, and be, in certain specified circumstances, 9%, 6% and 0%.

Tax on Dividends

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), amended by the SCNPC on August 31, 2018 and effective on the same day, and the Implementation Rules 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》) amended by the State Council on December 18, 2018 and effective on January 1, 2019, dividends paid by PRC companies to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus 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》) issued by MOF, the State Administration of Taxation and the CSRC on September 7, 2015 and effective on September 8, 2015, where an individual holds the shares of a listed company obtained from the public offering for more than one year and transfers the stock of the listed company on the stock market, the dividend and bonus income shall be temporarily exempted from individual income tax. Where an individual acquires shares of a listed company from the public offering and transfers the stock of the listed company on the stock market, if the holding period is within one month (inclusive), the dividend income shall be included in the

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taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

Pursuant to the EIT Law and the Regulations on the Implementation of the EIT Law, a non-resident enterprise is subject to a reduced rate of 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business in the PRC or has an establishment or place of business in the PRC but the PRC-sourced income is not actually connected with such establishment or place of business in the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

Pursuant to the Arrangement between Chinese Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes 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》), which was promulgated on August 21, 2006 and effective from December 8, 2006, the withholding tax rate of no more than 10% applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company. The withholding tax rate of no more than 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The Foreign Exchange Control Regulations of the PRC (《中華人民共和國外匯管理條例》) last revised by the State Council on August 5, 2008, are applicable to all activities related to the foreign exchange receipts and disbursements and transactions of domestic corporations and individuals and to the said activities of overseas corporations and individuals within the territory of the PRC.

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 company 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 company 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 company 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.

According to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《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》) which was promulgated by the SAFE on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including the foreign exchange capital, external debts and funds recovered from overseas listing, etc.) that are subject to discretionary settlement as already specified by relevant policies may be handled at banks based on the domestic institutions’ actual requirements for business operation. Where the current regulations contain any restrictive provisions on the foreign exchange settlement of foreign exchange receipts under capital accounts of domestic institutions, such provisions shall prevail.

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According to the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Management Service in Support of Foreign Business Development (《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》) issued by the SAFE on April 10, 2020 and came into effect on the same day, enterprises meeting the prescribed requirements are allowed to use income under the capital accounts as capital funds, external debts and overseas listings for domestic payment without providing banks with authenticity certification materials in detail in advance, to the extent that funds are used for true and law-compliant purposes and such enterprises comply with the in-force administrative provisions on the use of income under the capital accounts. According to the Notice of the State Administration of Foreign Exchange on Further Deepening Reforming to Facilitate Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) issued by the SAFE on December 4, 2023, the foreign exchange funds raised by domestic enterprises through overseas listing may be directly remitted to the settlement account of capital accounts. Funds in the settlement account of capital accounts may be settled and used at discretion.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

On March 12, 2026, the SCNPC promulgated the Code of the PRC on the Ecological Environment (《中華人民共和國生態環境法典》) (the “**Ecological and Environmental Code**”), which came into effect on August 15, 2026 and serving as the comprehensive and unified fundamental law governing ecological and environmental protection in the PRC. The Ecological and Environmental Code is comprised of General Provisions, Pollution Prevention and Control, Ecological Protection, Green and Low-Carbon Development, Legal Liability and Supplementary Provisions, and covers, among others, matters relating to ecological and environmental impact assessment, prevention and control of atmospheric pollution, prevention and control of water pollution and prevention and control of solid waste pollution. Where an enterprise violates the pollutant discharge permit system, it may be ordered to restrict production, suspend operations for rectification, cease operations and close down, and in serious cases the matter may be transferred to the public security authority.

Construction Projects

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》) promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and came into effect on October 1, 2017, the Interim Measures for Environmental Protection Acceptance Examination 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 Ministry of Environmental Protection (now merged into the Ministry of Ecology and Environment of the PRC) on November 20, 2017 and came into effect on the same day, and the Ecological and Environmental Code, 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 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 checks on the supporting environmental protection facilities and prepare an acceptance report. For construction projects that are constructed in phases or put into production or used in phases, the corresponding environmental protection facilities shall be inspected and accepted in phases. The construction projects can only be put into production or use after the completed supporting environmental protection facilities have passed the acceptance inspection. Facilities that have not been carried out or have not passed the acceptance examination shall not be put into production or use.

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Pollution Permit

According to the Ecological and Environmental Code and the Regulation on the Administration of Pollutant Discharge Licensing (《排污許可管理條例》), which was promulgated by the State Council on January 24, 2021, and came into effect on March 1, 2021, enterprises, business units and other producers and operators that implement the pollutant discharge licensing management shall discharge pollutants according to the requirements of the pollutant discharge license, and shall not discharge pollutants without obtaining the pollutant discharge license. The competent environmental protection authorities impose various administrative penalties on individuals or enterprises in violation of the Ecological and Environmental Code.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

Work Safety Law of PRC (《中華人民共和國安全生產法》) was promulgated by the SCNPC on June 29, 2002, which was latest revised on June 10, 2021 and came into effect on September 1, 2021. Production and business entities shall abide by this Law and other laws and regulations concerning work safety, strengthen work safety management, establish and improve a work safety responsibility system and work safety rules and systems for all employees, increase efforts to guarantee the input of funds, materials, technology, and personnel in work safety, improve work safety conditions, strengthen standardization and informatization of work safety, construct a dual prevention mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, raise work safety levels, and ensure work safety. The law stipulates provisions on guarantee of safety by production and business operation entities, rights and obligations of employees relating to work safety, supervision and administration of work safety, emergency rescue, investigation, and handling of work safety accidents and legal responsibilities.

LAWS AND REGULATIONS RELATING TO THE [REDACTED] OF SECURITIES OVERSEAS BY DOMESTIC ENTERPRISES

Securities Laws and Regulations

The Securities Law of the PRC (《中華人民共和國證券法》) (the “**Securities Law**”), which was last revised by the SCNPC on December 28, 2019 and became effective on March 1, 2020, comprehensively regulates the activities of the securities market in the PRC, including the issuance and trading of securities, acquisitions of listed companies, disclosure of information, investor protection, stock exchanges, securities companies, securities registration and clearing institutions, securities service agencies, securities associations and securities regulatory authorities. The Securities Law further stipulates that domestic enterprises that directly or indirectly issue securities abroad or list their securities abroad shall comply with the relevant provisions of the State Council, and that the specific provisions for subscription and trading of shares of domestic companies in foreign currencies shall be separately stipulated by the State Council. CSRC is a securities regulatory body established by the State Council, which is responsible for supervising and managing the securities market in accordance with the law, maintaining market order and safeguarding the legal operation of the market.

Overseas Listing

On February 17, 2023, the 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》) (the “**Trial Measures**”) and related guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, where a domestic enterprise in the PRC directly or indirectly issues or lists shares overseas, it shall file a report with the CSRC within 3 working days after submitting the application documents for issuance and listing overseas; overseas issuance and listing shall be prohibited under any of the following circumstances: where the issuance and listing is prohibited by laws, administrative regulations or the relevant provisions of the state; where the overseas issuance and listing is recognized by the relevant competent department of the State Council in accordance

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with the law may jeopardize national security; where domestic enterprises or their controlling shareholders or de facto controllers are involved in criminal offenses of corruption, bribery, misappropriation of property, embezzlement of property, or disruption of the socialist market economy order within the last three years; where domestic enterprises suspected of committing crimes or major violations of laws and regulations are being investigated by the law, and has not yet come to a definitive conclusion of the opinion; where there are significant ownership disputes over the shareholdings held by controlling shareholders or shareholders directed by controlling shareholders or de facto controllers.

Our PRC Legal Advisor is of the view that in connection with the [REDACTED], the Group does not fall under any of the circumstances stipulated in Article 8 of the Trial Measures, which would prohibit an overseas [REDACTED] and [REDACTED].

Pursuant to the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Companies (《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 “**Provisions on Confidentiality and Archives Administration**”), which was jointly issued by the CSRC together with other relevant authorities on February 24, 2023 and became effective on March 31, 2023, for the activities of overseas issuance and listing of domestic enterprises, the domestic enterprises as well as securities companies and securities service agencies providing corresponding services shall strictly comply with the relevant laws and regulations of the PRC and the requirements of the Provisions on Confidentiality, enhance their legal awareness of the need to protect state secrets and enhance archive management, and establish a sound system for confidentiality and archive management. Necessary measures shall be taken to fulfill the responsibility of confidentiality and archive management, and state secrets and the working secrets of state organs shall not be disclosed, or the state and public interests shall not be jeopardized. Where any domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listed subjects documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals including securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State. Where a domestic enterprise provides or publicly discloses to relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listed subjects’ documents or materials the disclosure of which would adversely affect national security or public interests, it shall strictly fulfill the corresponding procedures in accordance with the relevant provisions of the state.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE UNITED STATES

Businesses operating in the United States are subject to a variety of federal, state and local laws and regulations (“**U.S. Regulations**”). The U.S. Regulations expected to be material to our operations are those relating to, among others, product safety, product liability, data privacy and customs and imports procedures as described below.

Product Safety

The law of product safety is primarily under the jurisdiction of the U.S. Consumer Product Safety Commission (“**CPSC**”), an administrative agency of the United States federal government that regulates certain classes of products sold to the public. The CPSC was established pursuant to the 1972 Consumer Product Safety Act (as amended, the “**CPSA**”). The CPSA is the umbrella statute at the federal level with respect to product safety for consumer products.

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The CPSA was amended by the U.S. Consumer Product Safety Improvement Act of 2008 (“CPSIA”) in 2008. The implementation of CPSIA was a significant overhaul of consumer product safety laws in the United States and was designed to enhance federal and state efforts to improve the safety of all products imported into and distributed in the United States. Products imported into the United States which fail to comply with CPSIA’s requirements are subject to confiscation and the importer and/or distributor in the United States is subject to civil penalties and fines, as well as possible criminal prosecution.

Under the CPSIA, a “general conformity certification” is required for any consumer product imported into the United States that is subject to a consumer product safety rule, standard, regulation, or ban pursuant to the CPSA or issued by the CPSC. The requirement applies to all subcontractors and importers of goods. Those parties must certify that their products comply with all applicable consumer product safety rules and laws such as the CPSA, the Flammable Fabrics Act, the Federal Hazardous Substance Act, and the Poison Prevention Act. The CPSA specifies that certification must be based on a “test of each product or a reasonable testing program.” The certificate must accompany the product or shipment of products, and a copy must be furnished to each distributor or retailer and U.S. Customs and Border Protection (“CBP”). The CPSC may also request a copy of the certification.

The CPSA also contains several reporting requirements for subcontractors and sellers of consumer products sold in the U.S. Section 15 of the CPSA requires a manufacturer or a seller to inform the CPSC immediately in the event it obtains information that any of its products: (1) creates a substantial risk of injury to consumers; (2) creates an unreasonable risk of serious injury or death; or (3) fails to comply with an applicable consumer product safety rule or with any other rule, regulation, standard, or ban under the CPSA or any other statute enforced by the CPSC. The CPSC may require the manufacturer or the seller to cease distribution of the product, and notify each person to whom the manufacturer or the seller knows such product was sold of such noncompliance, defects or risk. In certain circumstances, the CPSC may require the manufacturer or the seller to bring the product into conformity with the applicable product safety rules, repair the defect in the product, replace the product with an equivalent product that complies with the applicable product safety rules, issue a product recall and/or refund the purchase price of the product.

Proposition 65

Proposition 65, officially known as the Safe Drinking Water and Toxic Enforcement Act of 1986 (“**Prop 65**”), is a California law that requires that California consumers receive warnings regarding the presence of more than 800 chemicals known to cause cancer and/or reproductive toxicity. The law is highly technical, constantly evolving, and actively enforced by the government and private enforcement action. Under Prop 65, any person in the course of doing business must provide a “clear and reasonable warning” before exposing individuals to listed carcinogens and reproductive toxins in their products. Prop 65 provides detailed requirements for the form, content, and placement of the required warning.

The probability that a company will be subject to Prop 65 regulations is high because of how broadly the statute is worded. If a company manufactures, imports, distributes or sells a product that will be sold in California either through brick and mortar or online stores, or if a company has a physical presence of any kind in California (retail, office, warehouse, facility, factory, plant, etc.), then that company must abide by Prop 65 requirements. Recently, the California Office of Environmental Health Hazard Assessment (OEHHA) adopted a significant amendment to the Prop 65 warning requirement allowing companies to provide notice of the potentially toxic product either to the authorized agent for the business to whom they are selling or transferring the product, i.e., the next business in line, or to the authorized agent for the retail seller. Although this amendment appears to minimize the burden on companies, paying careful attention to Prop 65 requirements is encouraged. Auditing Prop 65 compliance well in advance could mean avoiding costly lawsuits, the loss of valuable business opportunities or relationships, large monetary penalties, serious financial or reputational damage, or even product recalls.

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Product Liability Law

U.S. state law generally imposes liability on all subcontractors and retailers (and parties in the supply chain) for injuries that result from unsafe, defective and dangerous products sold to consumers. Product liability claims in the United States are typically based on three theories of law: (1) strict liability, (2) negligence and (3) breach of warranty. In addition, as noted above, U.S. laws and regulations can also obligate subcontractors and retailers (and parties in the supply chain) to remedy product defects, which can include safety recall campaigns.

Parties involved in manufacturing, distributing or selling a product may be subject to liability for harm caused by a defect in that product. There are three types of product defects, namely, design defects, manufacturing defects and defects in marketing. In a negligence claim, a defendant may be held liable for personal injury or property damage caused by the failure to use due care. Strict liability claims, however, do not depend on the defendant’s level of care. Instead, a defendant is liable when it is shown that an injury (personal or to property) occurred as the result of a product’s defect. Breach of warranty is also a form of strict liability in the sense that a showing of fault is not required. The plaintiff need only establish the warranty was breached, regardless of how that came about. Companies that manufacture, distribute or sell a product in a particular state may be subject to the jurisdiction of such state’s product liability laws, whether the company’s jurisdiction of incorporation or principal place of business is in that state, in another U.S. state or in a non-U.S. jurisdiction.

Product liability legal actions and recall campaigns in the United States could involve personal injury and property damage and could involve claims for substantial monetary damages. The results of any future litigation and claims involving product liability in the United States are inherently unpredictable. Based on our past experience, we do not anticipate that, in the aggregate, the outcome of any such litigation and claims involving us will have a material effect on our consolidated financial position or liquidity; however, such outcome could be material to our results of operations in particular period in which costs, if any are recognized by us.

Data Privacy

We are subject to a variety of laws and regulations in the United States that involve privacy, data protection and personal information, data security, and data retention and deletion. In particular, we are subject to federal, state, and foreign laws regarding privacy and protection of people’s data. U.S. federal and state laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from state to state and country to country and inconsistently with our current policies and practices.

Import Tariffs and Customs Regulations

United States customs regulations (“**Customs Regulations**”), administered by CBP apply to any products entering the United States. Those regulations cover, among other areas, valuation of goods, classification, recordkeeping requirements, entry formalities, and laws related to duties and tariffs. The United States imposes tariffs on certain goods imported from various countries. Tariff rates are generally set forth in the Harmonized Tariff Schedules of the United States (the “**HTSUS**”). Note that embargoes, antidumping duties, countervailing duties, and other specific matters administered by the United States executive branch are not contained in the HTSUS and that various regulations or administrative actions could result in modification of these duties. Section 201 of the Trade Act of 1974, 19 USC §2101 et. seq. (the “**Trade Act**”) permits the President of the United States to grant temporary import relief by raising import duties or imposing non-tariff barriers (e.g., quotas) on goods entering the United States that injure or threaten to injure domestic industries producing similar goods. Section 301 of the Trade Act authorizes the President of the United States to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or

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practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce. The law does not require that the U.S. government wait until it receives authorization from the World Trade Organization to take such enforcement actions.

Currently, U.S. and China trade policy has given rise to the imposition of significant additional tariffs on products imported in the United States from China, and vice versa, under Section 301 of the Trade Act and the International Emergency Economic Powers Act.

Depending on the latest development of the trade negotiations between the U.S. and China, the level and number of products subject to additional tariffs may change over time.

Corporate Income Tax

U.S. corporate income tax is imposed at the federal level on all entities treated as corporations and by 47 states and the District of Columbia. The U.S. corporate income tax (CIT) rate is based on a progressive rate schedule; however, an alternative minimum tax provides for a flat rate with fewer deductions. Certain localities also impose corporate income tax. Corporate income tax is imposed on all domestic corporations and on foreign corporations having income or activities within the jurisdiction.

Transfer Pricing

The U.S. has an extensive system of laws and practices designed to preserve the U.S. tax base by preventing income from being shifted among related parties through the inappropriate pricing of related party transactions. The U.S. transfer pricing regime seeks to ensure that transactions involving the transfer goods and services between related companies are made on an arm’s length basis and are priced based on market conditions that permit profit to be reflected in the appropriate tax jurisdiction. Where the results of a transaction do not reflect an arm’s length price, the U.S. tax authority can reallocate the income to reflect the appropriate price and in some cases, impose monetary penalties for substantial or deliberate inaccuracy.

The U.S. Congress has enacted legislation and the US Treasury Department has promulgated regulations to control transfer pricing, all of which are administered and enforced by the Internal Revenue Service (“IRS”). On December 22, 2017, the Tax Cuts and Jobs Act (Tax Act) became law. The Tax Act represents a comprehensive reform to the Internal Revenue Code (“IRC”). Among its many changes, the Tax Act lowered the federal corporate income tax rate to 21% and overhauled the international tax provisions of the IRC, which may cause many multi-national companies to reevaluate their transfer pricing arrangements. Additionally, the Tax Act amended the IRC’s transfer pricing provisions, which will directly affect transfers of intangible property.

Federal tax legislation is contained in the IRC. Specifically, Section 482 of the IRC governs transfer pricing and applies when two or more organizations, trades, or businesses (regardless of form and place of the organization) are owned or controlled, directly or indirectly, by the same interests. The general rule of Section 482 authorizes the IRS to reallocate income, deductions, credits or allowances among the members of a controlled group of entities to ensure clear reflection of income or to prevent tax avoidance.

Section 482 also provides an additional test for transfers of intangible property (IP). Income with respect to the transfer (or license) of IP must be “commensurate with the income” attributable to the IP. Under the commensurate-with-income standard, actual profit realized from the exploitation of an intangible must be considered in determining an arm’s length price for the transfer of the intangible. The amount of the compensation should therefore reflect changes in the income attributable to that intangible over time.

In the U.S., individual states enact their own corporate income tax rules, which include the power and authority to regulate transfer pricing. The state rules focus on the shifting of income and deductions from a high-tax state to lower-tax states. Although the focus of most multinational

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businesses is on the relationship with the IRS, the state-by-state approach to transfer pricing methodologies must not be ignored. Each state is a sovereign taxing jurisdiction with the authority to disregard the conclusions reached by the IRS with respect to the appropriateness of a particular transfer pricing method.

Each of the 50 U.S. states has its own internal statutes, regulations, case law and other authority governing transfer pricing issues.

Contract Law

Contract law in the U.S. governs the obligations established by agreements between private parties. Whether these agreements are express or implied, they create legally enforceable rights and duties. The law of contracts varies from state to state. Each state has its own set of rules and principles governing contracts. However, there are certain areas where federal contract law applies nationwide.

Misrepresentation under U.S. contract law generally occurs when one party makes a false statement of law or fact to another party which induces that other party to enter into a contract. More specifically, fraudulent misrepresentation under U.S. contract law occurs when one party makes an intentional or reckless misrepresentation of fact or opinion with the intention to coerce another party into action or inaction on the basis of that misrepresentation. Courts may award damages to the injured party, typically monetary compensation, and punitive damages are generally not awarded.

Fraud under civil tort or criminal law might be based on a misrepresentation of fact that was either intentional or negligent. Under federal law, criminal fraud includes any scheme to defraud, or using false promises or representation to obtain one’s money or property. And the definition is similar in most state laws across the U.S. Penalties for criminal fraud generally include life imprisonment, fines, and/or restitution to pay back.

U.S. Economic Sanctions

U.S. economic sanctions rules generally impose various restrictions on transactions or economic activities involving certain countries, specific sectors, as well as certain designated parties or entities, depending on the type of sanctions program that is involved. U.S. sanctions laws and regulations have become increasingly complex and are subject to change with little to no warning in response to evolving geopolitical and national security interests. The principal agency that is responsible for administering and enforcing U.S. sanctions is the Office of Foreign Assets Control (“OFAC”) of the U.S. Department of the Treasury, although there are some aspects of certain U.S. sanctions programs that are also administered by the U.S. Department of State.

U.S. sanctions can be classified into “primary sanctions” or “secondary sanctions”. In general, primary sanctions are economic restrictions that broadly comprise of: (a) comprehensive sanctions; and (b) targeted sanctions such as list-based sanctions and sectoral sanctions. U.S. primary sanctions apply to all U.S. persons, which includes: (1) all entities organized under the laws of the U.S. or any jurisdiction within the U.S. (including foreign branches); (2) all U.S. citizens and permanent residents (wherever located); and (3) all persons physically located in the U.S., regardless of nationality. For certain sanctions programs pertaining to Iran and Cuba, the definition of “U.S. persons” may also include foreign companies owned or controlled by U.S. persons. Comprehensive sanctions prohibit virtually all U.S. persons from engaging in transactions and dealings with an entire country or region. OFAC currently maintains comprehensive sanctions against North Korea, Cuba, Iran, the Crimea region of Ukraine, as well as the self-proclaimed Luhansk People’s Republic and Donetsk People’s Republic. List-based sanctions on the other hand generally prohibit all activities and dealings with targeted individuals and entities that have been found to have engaged in conduct or activities that are contrary to the foreign policy and national security interests of the United States, such as those individuals and entities listed on the Specially Designated Nationals and

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Blocked Persons List (SDN List). Finally, sectoral sanctions are restrictions targeted at specific strategic industries rather than an entire country. OFAC currently maintains sectoral sanctions against the financial, energy, and defense sectors of the Russian economy for example.

On the other hand, secondary sanctions are intended to assert additional pressure on sanctions imposed on a particular target by penalizing non-U.S. persons for directly or indirectly providing material assistance to, or otherwise engaging in or facilitating significant transactions with, sanctioned targets, even in the absence of a U.S. nexus. U.S. secondary sanctions are extraterritorial in nature and are aimed at deterring non-U.S. persons from engaging in economic activities with sanctioned targets by threatening to restrict their access to the U.S. market.

U.S. Export Controls

The United States export controls framework is designed to regulate the transfer of controlled items, sensitive goods, materials, software, technologies, and services to foreign countries and parties outside of the U.S. to protect its foreign policy and national security interests. The main administrative agency responsible for enforcing U.S. export controls is the Bureau of Industry and Security (“BIS”) of the U.S. Department of Commerce, which administers the Export Administration Regulations (“EAR”), the primary legal framework governing these controls. Apart from the BIS, the Directorate of Defense Trade Controls (DDTC) of the U.S. Department of State regulates and enforces U.S. export controls under the International Traffic in Arms Regulations (ITAR) that relate to defense-related articles and services.

Under the EAR, a license, license exception or authorization from BIS may be required for the export, reexport, and transfer (in-country) of items subject to the EAR, depending on the item’s classification, destination, end-user and end-use. Generally speaking, items ‘subject to the EAR’ include: (a) all items in the U.S., including in a U.S. Foreign Trade Zone or moving in-transit through the U.S. from one foreign country to another (with certain exceptions); (b) U.S.-origin items, wherever located; and (c) certain foreign-made items that incorporate more than a *de minimis* amount of U.S.-origin controlled content as defined in the EAR or that are produced abroad using U.S. software, technology, or tools. The EAR also contains various lists that identify certain foreign parties who are subject to stringent export controls restrictions in relation to items subject to the EAR. The Entity List for example identifies persons reasonably believed to be involved, or pose a significant risk of being or becoming involved, in activities contrary to the national security or foreign policy interests of the U.S. The EAR imposes license requirements on, and limits the availability of most license exceptions in relation to, the supply of items subject to the EAR to persons on the Entity List. The Military End-User List on the other hand identifies foreign parties as military end users that are subject to a license requirement for the export, reexport, or transfer (in-country) of certain items specified in the EAR.

RELEVANT LAWS AND REGULATIONS OF THE THAILAND (“THAI”)

This section summarizes the major Thai laws, regulations and policies relevant to the Company’s daily business operations currently carried out in Thai.

1. Corporate Matters

The Thai Subsidiary is incorporated as a private limited company under the Civil and Commercial Code of Thailand (the “CCC”). A Thai private limited company is a separate juristic person and must have at least two shareholders at all times. Shareholders’ liability is generally limited to the unpaid amount on their respective shares.

A private limited company is managed by a board of directors appointed by the shareholders. There is no statutory requirement regarding the minimum number or nationality of directors. Directors are authorised to manage the business of the company in accordance with the company’s objectives, Articles of Association, shareholders’ resolutions and applicable Thai laws, and may delegate certain powers to officers or managers.

REGULATORY OVERVIEW

The registered capital of a Thai private limited company is divided into shares of equal par value. At least 25% of the par value of each issued share must be paid up upon issuance. Share transfers must be made in writing and signed by the transferor and transferee in the presence of at least one witness, and are not effective against the company or third parties unless recorded in the company’s register of shareholders.

Dividends may be distributed only out of profits and generally require shareholders’ approval, except that interim dividends may be declared by the directors if permitted under the articles of association. The CCC requires an appropriation of at least 5% of net profits as a reserve until such reserve reaches 10% of the registered capital.

2. Restrictions on Foreign Ownership

Foreign ownership and investment in Thailand are principally governed by the Foreign Business Act B.E. 2542 (1999) (the “**FBA**”). A company is classified as a “foreign” entity if 50% or more of its shares are held by non-Thai individuals or juristic persons.

The FBA categorises restricted business activities into three lists. List 1 comprises businesses strictly prohibited to foreigners. List 2 covers businesses related to national security, culture and natural resources, which may be carried on by foreigners only with Cabinet approval. List 3 covers trading, service businesses and other activities in which Thai nationals are not yet considered ready to compete with foreigners, and which may be carried on by foreigners subject to a foreign business licence issued by the Department of Business Development.

Manufacturing activities are generally not restricted under the FBA. Based on the nature of its manufacturing business, the Thai Subsidiary is not required to obtain a foreign business licence under the FBA for its current operations.

3. Board of Investment of Thailand (BOI)

The Investment Promotion Act B.E. 2520 (1977) establishes the Board of Investment of Thailand (the “**BOI**”) to promote domestic and foreign investment in activities considered beneficial to Thailand’s economic and industrial development.

The BOI grants investment promotion privileges in respect of eligible activities, subject to compliance with specified conditions. Such privileges may include tax incentives, such as exemptions of corporate income tax, import duty and withholding on dividends and non-tax incentives, such as permission for foreign-owned companies to own land for promoted activities, visa and work permit privileges and to engage in certain activities otherwise restricted under the FBA.

The Thai Subsidiary is a BOI-promoted company and has been granted certain tax and non-tax incentives in respect of its promoted manufacturing activities under 3 BOI promotion certificates, subject to the terms, conditions and duration set out in the relevant BOI promotion certificates and applicable laws. Based on the information and documents provided to us, we are not aware of any non-compliance with such BOI promotion certificates or any changes in applicable Thai laws which would materially and adversely affect the incentives granted to the Thai Subsidiary by the BOI.

4. Industrial Estate Authority of Thailand (IEAT)

The Industrial Estate Authority of Thailand (the “**IEAT**”) is a state enterprise under the Ministry of Industry responsible for the establishment, development and regulation of industrial estates in Thailand.

Operators located within IEAT-administered industrial estates benefit from centralised infrastructure, utilities, waste management systems and regulatory oversight. In addition to general Thai laws, such operators are subject to regulations issued by the IEAT governing operational standards, environmental management and safety.

REGULATORY OVERVIEW

The Thai Subsidiary operates its manufacturing facilities (Factory phase 2) within an Pinthong industrial estate (Project 3) and has obtained the relevant permissions to operate therein.

5. Factory Permits

The establishment and operation of factories in Thailand are governed principally by the Factory Act B.E. 2535 (1992), as amended (the “**Factory Act**”). Under the Factory Act, a factory operator whose activities fall within the statutory thresholds relating to the use of machinery, number of workers and nature of production is generally required to obtain a factory permit (Ror. Ngor. 4) from the competent authority prior to commencing operations. The Factory Act also imposes ongoing obligations on factory operators in relation to, among others, the installation and operation of machinery, workplace safety and accident prevention measures, environmental pollution control, industrial waste management, and reporting and inspection requirements, and any material change to the factory or manufacturing process may require prior approval from the relevant authority.

Where a factory is located within an industrial estate established and supervised by the IEAT, the licensing and regulatory authority in respect of factory operations rests with the IEAT. In such case, the factory operator is not required to obtain a factory permit under the Factory Act from the Department of Industrial Works, but must instead obtain approval from and comply with the rules, regulations and conditions prescribed by the IEAT, which incorporate factory safety, environmental and operational standards comparable to those under the Factory Act.

The Thai Subsidiary holds valid factory permit issued under the Factory Act for its manufacturing facilities located outside the IEAT zone (Factory Phases 1 and 3), and, based on the information and documents provided to us, is in compliance in all material respects with the applicable licensing requirements.

6. Land Ownership

Under Thai law, foreigners are generally restricted from owning land in Thailand unless permitted under specific legislation. Pursuant to applicable Thai laws, an industrial operator located within an industrial estate established and supervised by the IEAT, or a company granted investment promotion by the BOI, may be permitted to own land for the purpose of carrying on its business, notwithstanding the general restrictions on foreign land ownership, subject to the terms and conditions prescribed by the IEAT or the BOI, as applicable.

The Thai Subsidiary owns the land on which its manufacturing facilities located within the IEAT zone are situated, pursuant to the land ownership permission granted by the IEAT. Such land is used for the operation of the Thai Subsidiary’s business and, based on the information and documents provided to us, the Thai Subsidiary has complied in all material respects with the applicable requirements relating to such land ownership. As of the date of this document, we are not aware of any existing or proposed changes in applicable Thai laws or regulations that would materially and adversely affect such land ownership rights.

7. Environmental Laws

Environmental matters in Thailand are principally governed by the Enhancement and Conservation of National Environmental Quality Act B.E. 2535 (1992), as amended, together with regulations and notifications issued thereunder and other sector-specific laws, including the Factory Act and the Industrial Estate Authority of Thailand Act. These laws regulate, among others, the prevention and control of environmental pollution arising from industrial operations, including wastewater discharge, air emissions, noise, vibration and industrial waste management, and empower the relevant authorities to prescribe environmental standards and conduct inspections.

For factories located within an industrial estate under the supervision of the IEAT, the IEAT acts as the primary regulatory authority responsible for environmental supervision and monitoring. Operators are required to install and maintain appropriate systems for the treatment of wastewater,

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control of air emissions and proper disposal of industrial waste, and to comply with environmental standards and reporting requirements prescribed by the IEAT and the relevant governmental authorities. For factories located outside the IEAT zone, environmental regulation and supervision are primarily governed by the Factory Act, and related regulations administered by the Department of Industrial Works, including requirements on pollution control, waste management and environmental reporting. Based on the information and documents provided to us, the Thai Subsidiary has implemented the required environmental control measures for its manufacturing operations and is in compliance in all material respects with the applicable environmental laws and regulations.

8. Trade Restrictions

The import and export of goods in Thailand are regulated principally by the Customs Act B.E. 2560 (2017), together with ministerial regulations and notifications issued by the Thai Customs Department and other relevant authorities. Under Thai law, goods imported into or exported from Thailand are subject to customs clearance procedures, declaration requirements and payment of applicable customs duties, unless an exemption applies under applicable laws or privileges granted by competent authorities.

As a manufacturing company engaged in the import of raw materials and machinery and the export of its products, the Thai Subsidiary is required to comply with applicable customs procedures, including accurate declaration of goods, customs valuation, tariff classification and compliance with export control requirements. Certain products may also be subject to specific import or export restrictions, licensing requirements or standards controls imposed under sector-specific laws. For the Thai Subsidiary, exemptions from import duties on machinery and raw materials are granted by the BOI under its 3 BOI promotion certificates.

Thailand is a member of the Association of Southeast Asian Nations (ASEAN) and a party to the ASEAN Free Trade Area (AFTA), the Regional Comprehensive Economic Partnership (RCEP) and various other bilateral and multilateral free trade agreements, which provide for preferential tariff treatment on qualifying goods traded between member states, subject to applicable rules of origin and other conditions.

As of the date hereof, Thailand has not imposed any retaliatory or additional tariffs specifically targeting the raw materials used or the product categories manufactured by the Thai Subsidiary (being electric passive components, and transformers, and related products) in connection with any international trade dispute. We are not aware of any existing or proposed Thai laws or government policies that would materially restrict or increase the cost of the Thai Subsidiary’s procurement of raw materials, restrict its manufacturing output, or restrict the export of its products. The Thai Subsidiary’s products exported from Thailand may, depending on applicable rules of origin and trade agreements in force between Thailand and the relevant destination markets, be subject to different (and potentially more favourable) tariff treatment from those exported directly from the PRC.

Based on the information and documents provided to us, and having regard to the nature of the raw materials imported and the products exported by the Thai Subsidiary, we are not aware of any material trade restrictions, prohibitions or specific licensing requirements applicable to such imports or exports under Thai law. The Thai Subsidiary conducts its import and export activities in compliance in all material respects with applicable Thai customs and trade-related laws and regulations.

9. Intellectual Property

Intellectual property rights in Thailand are principally governed by the Trademark Act B.E. 2534 (1991), the Patent Act B.E. 2522 (1979) and the Copyright Act B.E. 2537 (1994), as amended. These laws provide statutory protection for registered intellectual property rights and grant the right holders the exclusive right to use and enforce such rights against infringement in Thailand.

REGULATORY OVERVIEW

Based on the information and documents provided to us, the Thai Subsidiary does not own or have any registered intellectual property rights in Thailand. However, the Company has registered certain trademark in Thailand, which are used in connection with the Group’s business. Under Thai law, trademark rights arise upon registration, and registered trademarks may be licensed to affiliates for use in Thailand, subject to compliance with applicable legal requirements.

10. Taxation

Thai companies are subject to corporate income tax on their worldwide income at the prevailing rate (currently 20%), subject to applicable exemptions and incentives. As an investment-promoted company, the Thai Subsidiary has been granted an exemption from corporate income tax for a period of three years in respect of profits generated from its BOI-promoted activities, subject to the terms and conditions prescribed by the relevant BOI promotion certificates and applicable laws.

Withholding tax applies to certain categories of income, including dividends, interest, royalties and service fees, at rates prescribed by the Revenue Code.

Thailand operates a Value Added Tax (“VAT”) system. VAT in Thailand is imposed on the sale of goods, the provision of services and the importation of goods. Under the VAT system, an operator charges VAT on its sales or services and may credit VAT paid on purchases of goods or services against its output VAT, with the net amount remitted to the Thai Revenue Department, such that VAT is effectively borne by the end consumer. The standard VAT rate prescribed by law is 10% (inclusive of municipal tax). However, the rate currently applied is 7%, subject to extension by the Thai government from time to time. As a manufacturing company, the Thai Subsidiary is subject to VAT in respect of its sale of goods and importation of goods and is required to comply with applicable VAT registration, filing and payment obligations under Thai tax laws.

RELEVANT LAWS AND REGULATIONS OF THE UNITED MEXICAN STATES (“MEXICO”)

This section summarizes the principal Mexican laws, regulations and policies relevant to the Group’s business operations currently carried out in Mexico.

1. Corporate Matters

The Mexican Subsidiaries are incorporated as sociedades de responsabilidad limitada de capital variable (*S. de R.L. de C.V.*) under the General Law of Commercial Companies (*Ley General de Sociedades Mercantiles*) (the “**LGSM**”). A Mexican *S. de R.L. de C.V.* is a separate legal entity and must have at least two partners at all times. The liability of partners is generally limited to their respective capital contributions.

An *S. de R.L. de C.V.* is managed by one or more managers (*gerentes*) appointed by the partners; there is no statutory requirement regarding the nationality of managers. The managers are authorized to manage the business of the company in accordance with the company’s purpose, bylaws, resolutions of the partners and applicable Mexican laws, and may delegate certain powers to officers or representatives.

The capital of an *S. de R.L. de C.V.* is divided into equity quotas (*partes sociales*) and may include fixed and variable portions, equity quotas do not have a nominal value requirement and are not freely transferable. Transfers must be approved by the partners and recorded in the company’s equity registry book to be effective against the company and third parties.

Distributions may be made only out of profits and generally require approval of the partner, Mexican law requires an allocation of at least 5% of net profits to a legal reserve until such reserve reaches 20% of the company’s capital.

REGULATORY OVERVIEW

2. Restrictions and foreign ownership

Foreign ownership and investment in Mexico are principally governed by the Foreign Investment Law (*Ley de Inversión Extranjera*) (the “FIL”), a company is considered to have foreign investment where foreign individuals or entities hold equity interests in a Mexican entity.

The FIL regulates foreign participation through a system of reserved activities and sectors subject to specific restrictions or approval requirements, certain activities are reserved to the Mexican State or to Mexican nationals, while others may be carried out by foreign investors subject to applicable limitations or prior approval from the National Foreign Investment Commission.

Manufacturing activities are generally not restricted under the FIL, based on the nature of its manufacturing business, the Mexican Subsidiaries are not required to obtain any special approval under the FIL for their current operations.

3. Customs and IMMEX Regime

The import and export of goods in Mexico are regulated principally by the Customs Law (*Ley Aduanera*), the Law of General Import and Export Taxes (*Ley de los Impuestos Generales de Importación y de Exportación*), and the General Foreign Trade Rules (*Reglas Generales de Comercio Exterior*), which govern customs procedures, clearance requirements and applicable duties.

Certain manufacturing operations of the Group are conducted under the Manufacturing, Maquiladora and Export Services Industry Program (*Programa IMMEX* or “IMMEX”), which is governed by the IMMEX Decree and administered by the Ministry of Economy (*Secretaría de Economía*).

The IMMEX Program allows authorized companies to temporarily import raw materials, components and machinery without the payment of import duties and VAT, provided that such goods are used in manufacturing processes for export. Companies operating under the IMMEX Program are subject to ongoing compliance obligations, including inventory control, reporting requirements and export thresholds.

Failure to comply with applicable customs or IMMEX requirements may result in administrative sanctions, including the suspension or cancellation of IMMEX authorization and the assessment of tax liabilities.

4. Land Ownership

Under Mexican law, there are generally no restrictions on foreign ownership of land, except for certain limitations applicable to real property located within restricted zones near national borders and coastlines, outside of such restricted zones, foreign individuals and entities may directly own land in Mexico.

One of the Mexican Subsidiaries own the land on which their manufacturing facilities located in Ramos Arizpe, Coahuila are situated, such land is used for the operation of the Mexican Subsidiaries’ business and, based on the information and documents provided to us, the Mexican Subsidiaries have complied in all material respects with the applicable legal requirements relating to such land ownership.

As of the date of this document, we are not aware of any existing or proposed changes in applicable Mexican laws or regulations that would materially and adversely affect such land ownership rights.

5. Environmental Laws

Environmental matters in Mexico are governed primarily by the General Law of Ecological Balance and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*), together with related federal, state and municipal regulations.

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Manufacturing activities are generally subject to environmental impact assessment requirements prior to construction and operation. In addition, operators are required to obtain and maintain applicable permits relating to emissions, hazardous waste management, water usage and environmental compliance.

Environmental regulation is enforced by federal and local authorities, and operators are subject to inspection, reporting and compliance obligations. Based on the information and documents provided to us, the Group has implemented environmental control measures and is in compliance in all material respects with applicable environmental laws and regulations.

6. Intellectual Property

Intellectual property rights in Mexico are governed by the Federal Law for the Protection of Industrial Property (*Ley Federal de Protección a la Propiedad Industrial*) and the Federal Copyright Law (*Ley Federal del Derecho de Autor*).

These laws provide protection for trademarks, patents, industrial designs, trade names and trade secrets. The Mexican Institute of Industrial Property (*Instituto Mexicano de la Propiedad Industrial*) is responsible for the administration and enforcement of industrial property rights.

Registered trademark owners are entitled to prevent unauthorized use of identical or confusingly similar marks. Infringement may result in administrative proceedings, monetary penalties and other remedies under applicable law.

7. Taxation

Tax matters in Mexico are governed primarily by the Federal Fiscal Code (*Código Fiscal de la Federación*), the Income Tax Law (*Ley del Impuesto sobre la Renta*) and the Value Added Tax Law (*Ley del Impuesto al Valor Agregado*).

Mexican tax resident entities are subject to corporate income tax on their worldwide income and value added tax on the sale of goods, provision of services and importation of goods, subject to applicable exemptions and credits.

Failure to comply with tax obligations may result in audits, tax assessments, surcharges, penalties and enforcement actions by the Mexican tax authorities.

8. Labour and Employment

Employment relationships in Mexico are governed principally by the Federal Labour Law (*Ley Federal del Trabajo*), which establishes mandatory provisions relating to working conditions, wages, benefits, termination rights, profit sharing and collective labour rights.

Mexican labour law does not recognize employment-at-will, and terminations must comply with statutory requirements. Employers are required to provide severance payments in certain circumstances.

Employers must also register employees with the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social*) and make mandatory contributions in respect of social security, housing and retirement benefits.

9. Product Standards and Safety

Certain products manufactured or marketed in Mexico are subject to mandatory technical standards known as Official Mexican Standards (*Normas Oficiales Mexicanas* or “NOMs”), which regulate safety, technical specifications and labelling requirements.

Compliance with applicable NOMs is generally required prior to the commercialization of regulated products and may involve certification procedures and conformity assessments.

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10. Trade Restrictions and Tariffs

Our Group’s business in Mexico has been put into operation in this June. Our operation in Mexico may be affected by changes in international trade policies, including tariffs, trade restrictions and economic sanctions. As a manufacturer of electrical equipment, including transformers for energy applications, the Group depends on the importation of components and the export of finished products, which may be subject to evolving tariff regimes, rules of origin and trade compliance requirements under agreements such as the United States-Mexico-Canada Agreement (USMCA).

THE HONG KONG LAWS, REGULATIONS AND POLICIES

This section summarizes the major Hong Kong laws, regulations and policies relevant to the Company’s daily business operations currently carried out through its subsidiary in Hong Kong.

LAWS RELATING TO BUSINESS REGISTRATION

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

According to the BRO, every person, (a company or individual), who carries on a business in Hong Kong is required under the BRO to apply for a business registration certificate from the Inland Revenue Department within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business. Business registration does not serve to regulate business activities and it is not a licence to trade. Business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong. A business registration certificate is renewable every year or every three years (if business operators elect for issuance of business registration certificate that is valid for three years). Any person who fails to apply for business registration shall be guilty of an offence and shall be liable to a fine of HK\$5,000 and to imprisonment for one year.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT

Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (“EO”)

The EO regulates the general conditions of employment and matters connected therein in Hong Kong. It provides for various employment-related benefits and entitlements to employees. All employees covered by the EO, irrespective of their hours of work, are entitled to protection including payment of wages, restrictions on wages deductions and the granting of statutory holidays. Employees who are employed under a continuous contract are further entitled to such benefits as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

Employee’s Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (“ECO”)

The ECO establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or deaths caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of the ECO, all employers are required to take out insurance policy to cover their liabilities both under the ECO and at common law for injuries at work in respect of all employees (including full-time and part-time employees) for an amount not less than the applicable amount specified under the ECO. An employer who fails to comply with the ECO to secure an

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insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years, and on summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for one year.

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

The MWO provides for a prescribed minimum hourly wage rate (as at the Latest Practicable Date, HK\$43.1 per hour) during the wage period for every employee engaged under a contract of employment under the EO (except those specified under section 7 of the MWO). A provision of a contract of employment that purports to extinguish or reduce any right, benefit or protection conferred on the employee by the MWO is void.

Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) (“MPFSO”)

The MPFSO provides for, *inter alia*, the establishment of a system of privately managed, employment related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement. Subject to the minimum and maximum relevant income levels, it is mandatory for both employers and their employees to contribute 5% of the employee’s relevant income to the mandatory provident fund scheme. Currently, the minimum and maximum relevant income levels for employees who are paid monthly are HK\$7,100 and HK\$30,000 respectively. Further, employers are obliged to enroll their employees aged 18 to 65 to a Mandatory Provident Fund Scheme within 60 days of his or her employment.

Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) (“IO”)

Generally speaking, under the IO, a person is required to hold a visa/entry permit to work in Hong Kong unless he has the right of abode or right to land in Hong Kong. Section 17I of the IO stipulates that any person who is the employer of an employee who is not lawfully employable commits an offence and is liable to a fine of HK\$350,000 and to imprisonment for three years if the employee is not a prohibited employee, and if the employee is a prohibited employee, to a fine of HK\$500,000 and to imprisonment for 10 years.

REGULATIONS RELATING TO TAXES

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

As our Group carries out business in Hong Kong, the Company is subject to the profits tax regime under the IRO. The IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of person, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is currently at 8.25% on assessable profits up to HK\$2,000,000; and 16.5% on any part of assessable profits over HK\$2,000,000. The IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowance for depreciation.

Section 51(1) of the IRO requires every person, upon receipt of a written notice from the Inland Revenue Department, to submit a return within a reasonable time as stated in such notice. In relation to (i) any tax computation containing incorrect information (the “Incorrect Information”); and (ii) the filing of tax return containing the Incorrect Information, a person may be subject to prosecution under section 80(2) or 82(1) of the IRO.

Additionally, section 51C of the IRO provides that any person carrying on a trade, profession or business in Hong Kong shall keep sufficient records in the English or Chinese language of his income and expenditure to enable the assessable profits of such trade, profession or business to be readily ascertained and shall retain such records for a period of not less than seven years after the

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completion of the transactions, acts or operations to which they relate. The section sets out general requirement of records that should be kept. Any person who without reasonable excuse fails to comply with section 51C is liable on conviction to a maximum fine at level 6 (i.e. HK\$100,000).

REGULATIONS RELATING TO ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING

Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) (“DTROP”)

Among other things, the DTROP contains provisions for the investigation of assets suspected to be derived from drug trafficking activities, the freezing of assets on arrest and the confiscation of the proceeds from drug trafficking activities by the competent authorities. It is an offence under the DTROP for a person to deal with any property knowing or having reasonable grounds to believe it to represent the proceeds from drug trafficking. The DTROP requires a person to report to an authorised officer if he/she knows or suspects that any property (in whole or in part directly or indirectly) represents the proceeds of drug trafficking or is intended to be used or was used in connection with drug trafficking, and failure to make such disclosure constitutes an offence under the DTROP.

Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) (“OSCO”)

Among other things, the OSCO empowers officers of the Hong Kong Police Force and the Hong Kong Customs & Excise Department to investigate organised crime and triad activities, and confers jurisdiction on the Hong Kong courts to confiscate the proceeds of organised and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offences under the OSCO. The OSCO extends the money laundering offence to cover the proceeds from all indictable offences in addition to drug trafficking.

United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) (“UNATMO”)

Among other things, the UNATMO stipulates that it is a criminal offence to: (1) provide or collect property (by any means, directly or indirectly) with the intention or knowledge that the property will be used to commit, in whole or in part, one or more terrorist acts; or (2) make any property or financial (or related) services available, by any means, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate, or collect property or solicit financial (or related) services, by any means, directly or indirectly, for the benefit of a person knowing that, or being reckless as to whether, the person is a terrorist or terrorist associate. The UNATMO also requires a person to disclose his knowledge or suspicion of terrorist property to an authorised officer, and failure to make such disclosure constitutes an offence under the UNATMO.