
REGULATORY OVERVIEW

OVERVIEW OF LAWS AND REGULATIONS IN THE PRC

This section summarizes the principal PRC laws, regulations and rules relevant to the Company’s business.

Regulatory System of the Integrated Circuit Industry

The primary regulatory authority of the integrated circuit industry in China is the Ministry of Industry and Information Technology of the People’s Republic of China (the “MIIT”). The self-regulatory organization of the industry is the China Semiconductor Industry Association (the “CSIA”).

The primary responsibilities of the MIIT include proposing new industrialization development strategies and policies, coordinating and resolving major issues in the new industrialization process, formulating and organizing the implementation of development plans for relevant industries, promoting strategic adjustment and optimization, upgrading of the industrial structure; formulating and organizing the implementation of industry plans, programs, and industrial policies for relevant industries, proposing policy suggestions for optimizing industrial layout and structure, drafting relevant laws and regulations, formulating rules, developing industry technical specifications and standards and organizing their implementation, and guiding quality management in the industry, etc.

The primary responsibilities of the CSIA include implementing relevant government policies and regulations, undertaking consulting research projects or providing services for the semiconductor industry, conducting in-depth research on major issues concerning the overall situation, strategy, and foresight of the semiconductor industry, tracking topical and thorny issues encountered in the industry development, proposing policy recommendations to relevant government departments to promote the development of the related industry; conducting statistical analysis of industry data as authorized; assisting the government in formulating/revising industry standards, national standards, as well as recommended standards, promoting the implementation of such standards; safeguarding the legitimate rights and interests of members, opposing unfair competition, protecting intellectual property rights, participating in promoting and organizing the formulation of industry regulations and conventions, and promoting the establishment and improvement of market mechanisms, etc.

The MIIT and the CSIA constitute the management system for the integrated circuit industry in China. Integrated circuit enterprises operate autonomously in the market under the constraints of the industry regulatory authority and the self-regulatory organization.

Regulations on the Integrated Circuit Industries

The integrated circuit industry is one of the pillar industries of the national economy. The State Council of the People’s Republic of China (the “State Council”) and several ministries and agencies under its leadership had issued a series of regulations aimed at promoting the development of the integrated circuit industry, which include the Decision of the State Council on Accelerating the Fostering and Development of Strategic Emerging Industries (《國務院關於加快培育和發展戰略性新興產業的決定》), the Notice of the State Council on Promulgation of Several Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《國務院關於印發進一步鼓勵軟體產業和積體電路產業發展若干政策的通知》), the Outline for Promoting the Development of the National Integrated Circuit Industry (《國家積體電路產業發展推進綱要》), “Made in China 2025” (《中國製造(2025)》), the Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries in the New Era (《新時期促進積體電路產業和軟體產業高品質發展的若干政策》).

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The Catalog of Key Products and Services in Strategic Emerging Industries (2016 version) (《戰略性新興產業重點產品和服務指導目錄(2016版)》), promulgated and implemented by the National Development and Reform Commission (the “NDRC”) on January 25, 2017, listed integrated circuit chip design and services, as well as major integrated circuit products such as communication chips, multimedia chips, industrial control chips and automotive electronic chips, in the catalog of key products in strategic emerging industries, urging all departments and regions to better guide the work related to strategic emerging industries, further direct the flow of social resources, and give play to the leading and driving role of strategic emerging industries in economic growth, transformation and upgrading, and promoting high-quality development.

Pursuant to the Notice on Issues Concerning Corporate Income Tax Policies for Integrated Circuit Manufacturers (《關於積體電路生產企業有關企業所得稅政策問題的通知》) jointly promulgated by the Ministry of Finance (the “MOF”), the State Taxation Administration of the People’s Republic of China (the “STA”), the NDRC and the MIIT on March 28, 2018, certain integrated circuit manufacturing enterprises enjoy enterprise income tax exemptions or reductions. According to the Announcement on Income Tax Policies for Integrated Circuit Design and Software Enterprises (《關於積體電路設計和軟體產業企業所得稅政策的公告》) jointly promulgated by the MOF and the STA on May 17, 2019, legally established integrated circuit design enterprises and software enterprises satisfying the criteria shall enjoy an incentive period with effect from their profit-making year(s) prior to December 31, 2018, and be exempted from enterprise income tax for the first year to the second year, and pay enterprise income tax based on 50% off the statutory 25% tax rate from the third year to the fifth year, until the incentive period expires. In accordance with the Announcement on Corporate Income Tax Policies for Promoting the High-quality Development of Integrated Circuit Industry and Software Industry (《關於促進積體電路產業和軟體產業高品質發展企業所得稅政策的公告》) jointly promulgated by the MOF, the STA, the NDRC and the MIIT on December 11, 2020, state-encouraged integrated circuit design, equipment, materials, packaging, testing enterprises and software enterprises are, from their profit-making year, exempted from enterprise income tax for the first year to the second year, and pay enterprise income tax based on 50% off the statutory 25% tax rate from the third year to the fifth year; enterprises or projects that satisfied the conditions under the original policies and had entered the incentive period in or before 2019 may, provided that they also satisfy the foregoing provisions, enjoy the relevant preferences in accordance with the Announcement, whereby the periodic exemption/reduction incentives may be calculated pursuant to the Announcement, allowing them to enjoy the preferences for the remaining period until its expiry.

Pursuant to the Notice by the MOF, the General Administration of Customs of the People’s Republic of China (the “GACC”) and the STA of Import Tax Policies for Supporting the Development of the Integrated Circuit Industry and the Software Industry (《財政部、海關總署、稅務總局關於支持積體電路產業和軟體產業發展進口稅收政策的通知》) jointly promulgated on March 16, 2021, and the Notice by the MOF, the NDRC, the MIIT, the GACC and the STA of the Measures for the Administration of Import Tax Policies for Supporting the Development of the Integrated Circuit Industry and the Software Industry (《財政部、國家發展改革委、工業和信息化部、海關總署、稅務總局關於支持積體電路產業和軟體產業發展進口稅收政策管理辦法的通知》) jointly promulgated on March 22, 2021, from July 27, 2020 to December 31, 2030, the integrated circuit industry is subject to certain installment tax payment policies and import tariff exemption policies.

On March 12, 2026, the National People’s Congress of the People’s Republic of China (the “NPC”) approved the Outline of the 15th Five-year Plan for National Economic and Social Development (《中華人民共和國國民經濟和社會發展第十五個五年規劃綱要》), which provides that the PRC shall adopt extraordinary measures to promote, across the entire industrial chain, decisive breakthroughs in the research and development of key and core technologies in key areas such as integrated circuits, industrial mother machines, high-end instruments, basic software, advanced materials and biomanufacturing.

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Pursuant to the Notice of the MOF and the STA on the Weighted Deduction Policy for Value-added Tax on Integrated Circuit Enterprises (《財政部、稅務總局關於積體電路企業增值稅加計抵減政策的通知》), which was promulgated on April 20, 2023, from January 1, 2023 to December 31, 2027, enterprises engaged in the design, production, packaging and testing, equipment and materials of integrated circuits are allowed to deduct extra 15% of the deductible input tax in the current period from the value-added tax payable.

Regulations on Import and Export of Goods and Technologies

In accordance with the Foreign Trade Law of the People’s Republic of China (《中華人民共和國對外貿易法》) promulgated by the Standing Committee of the National People’s Congress of the People’s Republic of China (the “NPCSC”) on May 12, 1994 and last amended on December 27, 2025, which became effective on March 1, 2026, and the Notice of the Enterprise Management and Inspection Department on Matters Related to the Filing of the Consignees and Consignors of Import and Export Goods (《企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知》) issued by the GACC on January 3, 2023 and effective on the same date, the consignee or consignor of imported or exported goods applying for filing should obtain the qualification of the market entity, but no filing for foreign trade operators is required. In the case of importing or exporting freely traded technologies, the contracts thereof shall be filed with the department of foreign trade under the State Council or the authority it entrusts with such filing.

Pursuant to the Regulations of the People’s Republic of China on the Administration of 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, effective as of January 1, 2002 and last amended on March 10, 2024, which came into effect on May 1, 2024, except for those explicitly prohibited or restricted by laws or administrative regulations, the State Council permits the free import and export of goods and maintains a fair, free and orderly import and export trade order.

According to the Customs Law of the People’s Republic of China (《中華人民共和國海關法》) promulgated by the NPCSC on January 22, 1987 and last amended on April 29, 2021, which became effective on the same date, the customs of the People’s Republic of China is the state authority responsible for the supervision and control over all arrivals in and departures from the customs territory. The customs shall, in accordance with relevant laws and administrative regulations, exercise its various powers of supervision and control, including supervising and controlling the means of transport, goods, luggage, postal items and other articles entering or leaving the territory, assessing and collecting customs duties and other taxes and fees, investigating and suppressing smuggling, compiling customs statistics and handling other customs matters.

The Export Control Law of the People’s Republic of China (《中華人民共和國出口管制法》) (the “**Export Control Law**”) promulgated by the NPCSC on October 17, 2020, and effective as of December 1, 2020, imposes comprehensive state controls on the export of dual-use items, military products, nuclear items, and other goods, technologies, and services related to safeguarding national security and interests and fulfilling international non-proliferation obligations. The comprehensive control system includes the state export control administrative authorities, in accordance with the Export Control Law and relevant laws and administrative regulations, formulating and adjusting the export control list of controlled items in accordance with export control policies and prescribed procedures in conjunction with relevant departments, and promptly publishing the same. Furthermore, based on the needs of safeguarding national security and interests or fulfilling international obligations such as non-proliferation, and upon approval by the SC, or upon approval by the SC and the Central Military Commission, the state export control administrative authorities may implement temporary control on goods, technologies, and services not included in the export control list, and shall announce such measures.

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Other Significant PRC Regulations Affecting Our Business Operations in the PRC

Laws and regulations relating to Company Law and foreign investment

The formation, operation and management of enterprises in the PRC are governed by the Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “**Company Law**”), which was promulgated by the NPCSC on December 29, 1993, effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023, respectively. Under the Company Law, companies are categorized into two types, i.e. limited liability companies and companies limited by shares. The Company Law also applies to foreign-invested limited liability companies and companies limited by shares. Under the Company Law, if there are other provisions in the laws relating to foreign investment, such provisions shall prevail.

On March 15, 2019, the NPC promulgated the Law of the People’s Republic of China on Foreign Investment (《中華人民共和國外商投資法》) (the “**FIL**”). The FIL took effect on January 1, 2020 and has become the fundamental law regulating foreign-invested enterprises wholly or partially invested by foreign investors. In accordance with the FIL and the Regulations for the Implementation of the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法實施條例》) promulgated by the State Council on December 26, 2019, which came into effect on January 1, 2020, foreign investment refers to the investment activities carried out directly or indirectly in the PRC by foreign natural persons, enterprises or other organizations (hereinafter referred to as “**foreign investors**”), including the following circumstances: (I) foreign investors alone or jointly with other investors establish foreign-invested enterprises within the territory of the People’s Republic of China; (II) foreign investors acquire shares, equity, property shares or other similar interests in enterprises within the territory of the People’s Republic of China; (III) foreign investors alone or jointly with other investors invest in new construction projects within the territory of the People’s Republic of China; (IV) other forms of investment prescribed by the laws, administrative regulations or the State Council.

The PRC implements a pre-access national treatment plus negative list management system for foreign investment, which means that foreign investors and their investments are given treatment no less favorable than that accorded to domestic investors and their investments at the stage of investment access; the so-called negative list refers to the special access management measures that the State has stipulated to be applied to foreign investment in specific areas, and the State grants national treatment to foreign investment that is not on the negative list.

The Catalogue of Industries Encouraging Foreign Investment (2025 Version) (《鼓勵外商投資產業目錄(2025年版)》) issued by the NDRC and the Ministry of Commerce on December 15, 2025 (effective February 1, 2026), and the Special Administrative Measures for Foreign Investment Entry (Negative List) (2024 Version) (《外商投資准入特別管理措施(負面清單) (2024年版)》) issued by the NDRC and the Ministry of Commerce on September 6, 2024 (the “**Negative List**”), which became effective on November 1, 2024, together constitute the Catalogue of Industries Encouraging Foreign Investment and the Special Administrative Measures for Foreign Investment Access to Industries Restricted or Prohibited for Foreign Investment, of which the Negative List has uniformly listed the special administrative measures in respect of foreign investment access, such as shareholding requirements and senior management requirements. Fields outside the Negative List are managed in accordance with the principle of consistency between domestic and foreign investments.

The Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) were issued by the Ministry of Commerce and the State Administration for Market Supervision and Administration on December 30, 2019 and came into effect on January 1, 2020. According to the Measures for the Reporting of Foreign Investment Information, foreign investors carrying out investment activities directly or indirectly in the PRC shall report investment information to the

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competent commerce department by the foreign investor or foreign-invested enterprise in accordance with the Measures. When submitting annual reports, foreign-invested enterprises shall report basic information about the enterprise, information about investors and their de facto controllers, information about the enterprise’s operation and assets and liabilities, and information about obtaining relevant industry licenses if special administrative measures for foreign investment access are involved.

Laws and regulations relating to intellectual property

Patent

In accordance with the Patent Law of the People’s Republic of China (《中華人民共和國專利法》) (the “**Patent Law**”) promulgated by the NPCSC on March 12, 1984, as amended on September 4, 1992, August 25, 2000, December 27, 2008, October 17, 2020, and with the latest amendment effective on June 1, 2021, and the Rules for the Implementation of the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001, as last amended on December 11, 2023, and as last amended and effective on January 20, 2024, inventions are defined as inventions, utility models and exterior designs. Inventions and utility models for which patents are granted shall possess novelty, inventiveness and utility. The Patent Office under China National Intellectual Property Administration is responsible for uniformly accepting, examining and approving patent applications. The term of a patent right for an invention is twenty years, the term of a patent right for a utility model is ten years, and the term of a patent right for an exterior design is fifteen years, all calculated from the date of application.

Trademark

Pursuant to the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) promulgated by the NPCSC on August 23, 1982, as subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, respectively, and lately revised on June 26, 2026 with the latest revision to take effect on January 1, 2027, and the Regulations for the Implementation of the Trademark Law of the People’s Republic of China (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, effective on September 15, 2002, as amended on April 29, 2014 and last amended and effective on May 1, 2014, the validity period of a registered trademark is ten years from the date of approval of registration. If the registered trademark expires and needs to be used continuously, the trademark registrant shall, within twelve months prior to the expiration date, go through the renewal procedures in accordance with the provisions of the law; if it fails to do so within this period, it may be given a grace period of six months. Each renewal of registration is valid for ten years, calculated from the day after the expiration of the previous validity of the trademark. Failure to apply for renewal procedures at the end of the period will lead to cancellation of the registered trademark.

Copyright

The Copyright Law of the People’s Republic of China (《中華人民共和國著作權法》), promulgated by the NPCSC on September 7, 1990 and last amended on November 11, 2020, with the latest amendment taking effect on June 1, 2021, and the Regulations for the Implementation of the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法實施條例》), promulgated by the State Council on August 2, 2002 and last amended on January 30, 2013, with the latest amendment taking effect on March 1, 2013, provide for the legal protection of copyrights, as well as the categorization of works, and the acquisition of copyrights and the protection of copyrights and their related rights.

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Domain Name

The Measures for the Administration of Internet Domain Names (《互聯網功能變數名稱管理辦法》) issued by the MIIT on August 24, 2017, which took effect on November 1, 2017, and the Rules for the Implementation of the Registration of National Top-Level Domain Names (《國家頂級功能變數名稱註冊實施細則》) issued by China Internet Network Information Center (the “CNNIC”) on June 18, 2019, provide legal protection for domain names. The MIIT is the regulatory body responsible for the administration of Internet domain names in the PRC, and CNNIC is responsible for the registration and administration of national top-level domain names. Domain name registration is handled through domain name registration service organizations established in accordance with relevant regulations. Upon successful registration, the applicant shall become the domain name holder.

Layout-Designs of Integrated Circuits

Pursuant to the Regulations on the Protection of Layout-Designs of Integrated Circuits (積體電路佈圖設計保護條例) (the “**Protection Regulations**”) promulgated by the State Council on April 2, 2001 and effective as of October 1, 2001, layout-designs created by PRC natural persons, legal persons, or other organizations shall enjoy the exclusive rights of layout-designs in accordance with the Protection Regulations. The exclusive right of a layout-design shall be established upon registration with the administrative department for intellectual property under the State Council. Unregistered layout-designs are not protected by the Protection Regulations. The term of protection for the exclusive right of a layout-design shall be ten years, counting from the date of filing an application for registration or from the date of its first commercial exploitation anywhere in the world, whichever expires earlier. However, no matter whether it has been registered or put into commercial exploitation, a layout-design shall no longer be protected by the Protection Regulations fifteen years after the date of the completion of its creation.

Trade Secrets

In accordance with the Anti-Unfair Competition Law of the People’s Republic of China (《中華人民共和國反不正當競爭法》) promulgated by the NPCSC on September 2, 1993 and amended on November 4, 2017, April 23, 2019 and June 27, 2025, respectively, with the latest amendment effective on October 15, 2025 and the Supreme People’s Court’s Provisions on Several Issues Concerning the Application of Law to the Trial of Civil Cases Involving Infringement of Trade Secrets (《最高人民法院關於審理侵犯商業秘密民事案件適用法律若干問題的規定》), which were issued by the Supreme People’s Court on September 10, 2020 and have come into effect on September 12, 2020, “trade secret” refers to the technical information, business information and other commercial information that is not known to the public, has commercial value, and is likely to create commercial interests or profits for the lawful owner or holder of the same and has been subject to the corresponding confidentiality measures taken by the owner. Pursuant to the Anti-Unfair Competition Law of the People’s Republic of China, operators shall not commit the following acts of infringing upon the commercial secrets of others: (I) acquiring the commercial secrets of the right holder by theft, bribery, fraud, coercion, electronic intrusion or other improper means; (II) disclosing, using or permitting other people to use the commercial secrets of the right holder acquired by the means mentioned in the preceding paragraph; (III) violating the obligation of confidentiality or the requirements on keeping commercial secrets of the right holder, disclose, use or allow others to use the trade secrets in their possession; (IV) abetting, inducing, helping others to violate the obligation of confidentiality or violation of the requirements of the right holder to keep trade secrets, to obtain, disclose, use or allow others to use the right holder’s trade secrets. If the third party knows or should know the above violations, but still obtains, uses or allows others to use the trade secrets, it is regarded as the infringement of trade secrets. The person whose trade secret has been infringed may request administrative corrective measures, and the supervisory authority shall order the cessation of the illegal behavior and impose a fine on the infringer.

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Regulations on foreign exchange

The principal law regulating foreign exchange in China is the Regulations of the People’s Republic of China on Foreign Exchange Control (中華人民共和國外匯管理條例) (the “**Foreign Exchange Control Regulations**”). The Foreign Exchange Administration Regulations were promulgated by the State Council on January 29, 1996 and came into effect on April 1, 1996, and were amended on January 14, 1997 and August 5, 2008, respectively. Under the Foreign Exchange Administration Regulations, the State does not impose restrictions on international payments in foreign currencies and foreign currency transfers under the current account. Foreign currency transactions under the capital account are still subject to restrictions and the approval or registration procedures of the General Administration of Foreign Exchange of the People’s Republic of China (the “SAFE”) or its local branches and other relevant Chinese government agencies.

In accordance with the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) issued by the People’s Bank of China on June 20, 1996 and effective on July 1, 1996, foreign-invested enterprises may purchase, sell or repatriate foreign currency at banks authorized to conduct foreign exchange business only after they have provided valid business certification documents and, in the case of capital account transactions, have obtained the approval of the SAFE or its local branch.

The SAFE issued the Circular of the State Administration of Foreign Exchange on the Reform of the Management of Foreign Exchange Capital Fund Settlement of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) on March 30, 2015 (the “**SAFE Circular No. 19**”), which came into effect on June 1, 2015. Pursuant to SAFE Circular 19, foreign exchange capital funds in the capital account of a foreign-invested enterprise for which the foreign exchange bureau has confirmed the rights and interests of the monetary contribution (or for which the bank has registered the monetary contribution) may be settled at the bank in accordance with the actual operational needs of the enterprise. At the same time, the use of such RMB amounts shall still be subject to the restrictions set out in SAFE Circular No. 19.

Pursuant to the Circular of the State Administration of Foreign Exchange on Reforming and Standardizing the Management Policy of Capital Account Settlement (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**SAFE Circular No. 16**”) issued by the SAFE on June 9, 2016, and amended on December 4, 2023, if there is any inconsistency between the previous circular (e.g., SAFE Circular No. 19) and SAFE Circular No. 16, SAFE Circular No. 16 shall prevail. SAFE Circular No. 16 will standardize the settlement of foreign exchange for all domestic institutions. In addition, the use of foreign exchange earnings from capital items by domestic institutions shall comply with the principles of truthfulness and self-consumption within the scope of business operation. SAFE Circular No. 16 reiterates that the foreign exchange income from capital items of domestic institutions and the RMB funds derived from their foreign exchange settlement may be used for expenditures under the current account within the scope of their own operations, as well as for expenditures under the capital account as permitted by laws and regulations. The use of RMB funds derived from foreign exchange earnings from capital items and their settlement by domestic institutions shall comply with the following provisions: (I) they shall not be used directly or indirectly for expenditures outside the scope of business of the enterprise or prohibited by national laws and regulations; (II) unless otherwise expressly provided, they shall not be used directly or indirectly for investment in securities or other investment and wealth management (except for wealth management products and structured deposits with risk ratings not higher than Level 2); (III) they shall not be used for the release of loans to non-affiliated enterprises except for cases expressly permitted by the scope of business; (IV) they shall not be used for the purchase of residential properties not for self-use (except for enterprises engaging in real estate development and real estate leasing).

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Based on the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Management to Support the Development of Foreign-Related Businesses (《國家外匯管理局關於優化外匯管理支援涉外業務發展的通知》) issued by the SAFE on April 10, 2020, the SAFE will push forward the reform of facilitating the payment of income under capital accounts on a nationwide basis. Provided that the use of funds is genuine, compliant and in line with the existing regulations for the management of the use of income under capital accounts, eligible enterprises will be allowed to use the income under capital accounts such as capital funds, foreign debt and income from overseas listing for domestic payments without having to provide materials proving authenticity to the banks on a case-by-case basis beforehand.

Distribution of dividends

Pursuant to the provisions of the Company Law, when a company distributes its after-tax profit for the year, ten percent of the profit should be set aside as its statutory surplus reserve fund. The company may no longer do so if its cumulative statutory surplus reserve accounts for more than fifty percent of its registered capital. If the company’s statutory surplus reserve is insufficient to make up for the losses of previous years, the company shall use the current year’s profit to make up for the losses before the set-aside of the statutory surplus reserve. After the company has set aside a part of its after-tax profit as its statutory surplus reserve, it may also set aside a part of its after-tax profit as its discretionary reserve. Distributions can be made to shareholders only after the remaining after-tax profit have made up for losses and the surplus reserve has been set aside.

On January 26, 2017, the SAFE issued the Circular on Further Promoting the Reform of Foreign Exchange Management and Improving the Examination of Authenticity and Compliance (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates that when banks handle profit remittance business exceeding US\$50,000 equivalent (excluding) for domestic institutions, they shall audit, in accordance with the principle of authentic transaction, the board of directors’ resolution on profit distribution (or the partners’ resolution on profit distribution), the original tax filing form, and the audited financial statements, and the amount of the current remittance and the date of remittance on the original tax filing form shall be affixed with an endorsement. The domestic organization shall make up for the losses of previous years in accordance with the law before remitting the profits.

Regulations concerning enterprise income tax and value-added tax

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) promulgated by the Standing Committee of the NPCSC on March 16, 2007, effective as of January 1, 2008, and last amended on December 29, 2018, enterprises are classified as resident enterprises and non-resident enterprises; the enterprise income tax rate for resident enterprises is 25%, and the enterprise income tax rate for non-resident enterprises is 20%. According to the EIT Law and the Regulations on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China (the “**EIT Implementation Regulations**”) (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on December 6, 2007, effective as of January 1, 2008, and last amended on April 23, 2019, resident enterprises shall pay enterprise income tax on their income derived from both inside and outside China. A non-resident enterprise that has established an organ or establishment in China shall pay enterprise income tax on the income derived by such organ or establishment from sources within China, as well as on income derived from sources outside China but which is effectively connected with such organ or establishment. A non-resident enterprise that has not established an organ or establishment in China, or which has established an organ or establishment but the income derived has no effective connection with such organ or establishment, shall pay enterprise income tax on its income derived from sources within China, but such tax shall be levied at a reduced rate of 10%.

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In accordance with the EIT Law and the Regulations for the Implementation of the EIT Law, dividends, bonuses and other equity investment income between qualified resident enterprises are tax-exempt income.

Value-Added Tax

Pursuant to the PRC Value-added Tax Law (《中華人民共和國增值稅法》) promulgated by the Standing Committee of the National People’s Congress on December 25, 2024, which came into effect on January 1, 2026, as well as the Implementation Regulations for the Value-added Tax Law of the PRC (《中華人民共和國增值稅法實施條例》) promulgated by the State Council on December 25, 2025, which came into effect on January 1, 2026, all entities selling goods, providing services or importing goods within the PRC shall pay value-added tax (“VAT”). The VAT rate for general VAT taxpayers engaging in sale of goods, provision of processing, repair and replacement services, lease of tangible and movable goods or importation of goods was adjusted to 13%, the VAT rate for general VAT taxpayers engaging in, among others, the sale of transportation services, postal services, basic telecommunications services, construction services, the lease and sale of real properties, the transfer of land use rights, and the sale or importation of certain goods as specified in the PRC Value-added Tax Law, was adjusted to 9%.

Taxation on dividends

Individual Investors

According to the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法》) (the “**Individual Income Tax Law**”) promulgated by NPCSC on September 10, 1980, last amended on August 31, 2018 with the latest amendment becoming effective on January 1, 2019, and the Regulations on the Implementation of the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法實施條例》) (the “**Implementation Regulations of the Individual Income Tax Law**”) promulgated by the State Council on January 28, 1994, last revised on December 18, 2018 with the latest revision becoming effective on January 1, 2019, individual investors shall pay individual income tax at a rate of 20% on dividend income received from enterprises within China (regardless of whether the place of payment is within China), which shall be withheld and paid by enterprises in China, except for the income exempted from tax stipulated in international conventions and agreements signed by the PRC government, as well as other tax-free income and tax reductions stipulated by the State Council.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《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》) (the “**Arrangement**”) signed on August 21, 2006, the PRC government may impose a tax on dividends paid by Chinese companies to Hong Kong residents in accordance with PRC laws, but the tax imposed (if the beneficial owner of the dividend is not a company that directly holds at least 25% equity interest in the company paying the dividend) should not exceed 10% of the total amount of the dividend. However, according to the Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《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》第五議定書) (the “**Fifth Protocol to the Arrangement**”) that came into effect on December 6, 2019, notwithstanding the other provisions of the Arrangement, if it is reasonably ascertained, having regard to all relevant facts and circumstances, that one of the main purposes of any arrangement or transaction directly or indirectly inducing a benefit under the Arrangement is to obtain the concessions, the concessions shall not be granted in respect of the relevant proceeds unless it can be established that the grant of the benefit in such circumstances is in accordance with the purpose and objective of the relevant provisions of the Arrangement.

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In addition, the application of the dividend clause under tax agreements is subject to the provisions of the PRC tax laws and regulations, including the guidelines set forth in the Notice of the State Taxation Administration on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》). Compliance with these regulations is essential for determining the tax treatment applicable to dividends under the Arrangement.

Corporate Investors

According to the Enterprise Income Tax Law (《企業所得稅法》) and the Regulation on the Implementation of the Enterprise Income Tax Law (《企業所得稅法實施條例》), nonresident enterprises shall pay enterprise income tax on their income derived from China (including dividends, bonuses and other equity investment income paid by Chinese enterprises). However, if a non-resident enterprise has not established an office or establishment in China, or if it has established an office or establishment but the income obtained has no actual connection with the office or establishment, it shall be levied enterprise income tax at a reduced rate of 10%. The above-mentioned income tax payable by non-resident enterprises shall be withheld at source, and the income payer shall be the withholding agent. The tax shall be withheld by the withholding agent from the amount paid or payment due at the time of payment or due for payment. The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Administration of Taxation on November 6, 2008 further stipulated that when Chinese resident enterprises distribute dividends to H-share holders which are overseas non-resident enterprises for 2008 and subsequent years, enterprise income tax will be withheld and paid at a uniform rate of 10%.

Under the Arrangement, the PRC government can tax dividends paid by Chinese companies to Hong Kong residents in accordance with PRC laws. However, if the beneficial owner of the dividends is a Hong Kong resident, the tax levied shall not exceed: (I) 5% of the total amount of the dividends if the beneficial owner is a company that directly owns at least 25% of the equity of the company paying the dividends, or (II) in other cases, 10% of the total dividend amount.

In addition, according to the Notice on Issues Concerning the Application of Dividend Clauses of Tax Agreements (《關於執行稅收協定股息條款有關問題的通知》), if a Chinese resident company pays dividends to a Hong Kong resident, and the Hong Kong resident (or dividend recipient) is the beneficial owner of the dividend, then the Hong Kong resident shall obtain the dividend. This dividend can enjoy agreed treatments, that is, the income tax payable by Hong Kong residents in China will be calculated according to the tax rate stipulated in the agreements. If the tax rate stipulated in the agreement is higher than the tax rate stipulated in domestic tax laws of the People's Republic of China, the taxpayer can still pay tax determined under domestic tax laws of the People's Republic of China. According to the dividend provisions of relevant tax agreements, if a Hong Kong resident directly owns more than a certain proportion of the equity of a Chinese resident company that pays dividends, the dividends obtained by the Hong Kong resident may be taxed at the rate specified in the tax agreements. If a Hong Kong resident needs to enjoy the benefits of this tax treaty, the following conditions must be met at the same time: (I) according to the provisions of the tax agreements, the Hong Kong resident receiving dividends should be a company; (II) all the ownership rights and interests of Chinese resident companies directly owned by the Hong Kong resident and the proportion of shares with voting rights shall comply with the prescribed proportion; (III) at any time within 12 consecutive months before receiving dividends, the proportion of equity directly owned by the Hong Kong resident in the Chinese resident company shall comply with the proportion stipulated in the tax agreements. Transactions or arrangements with the main purpose of obtaining preferential tax status should not constitute a reason for implementing agreed treatments. If a taxpayer improperly enjoys tax agreed treatments due to such transactions or arrangements, the competent tax authorities have the right to make adjustments.

REGULATORY OVERVIEW

Tax Agreements

Non-Chinese resident investors who live in countries that have signed double taxation agreements with China or who live in Hong Kong or the Macau Special Administrative Region can enjoy preferential tax rates on dividends from Chinese companies. China has entered into double taxation avoidance arrangements with Hong Kong and the Macao Special Administrative Region respectively, and has entered into double taxation avoidance agreements with several other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the U.S. Non-Chinese resident enterprises that have obtained preferential tax rates under relevant tax agreements or arrangements may apply to the Chinese tax authorities for a refund of the difference between the withholding tax and the tax calculated based on the preferential tax rates stipulated in the relevant tax agreements or arrangements. The application is subject to approval by the Chinese tax authorities.

Tax related to share transfers

Individual Investors

According to the Individual Income Tax Law (《個人所得稅法》) and the Implementation Regulations of the Individual Income Tax Law (《個人所得稅實施條例》), income from the transfer of property (including income from the transfer of securities, equity, and partnership property shares by individuals) is subject to individual income tax at a rate of 20%. According to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) jointly issued by the Ministry of Finance and the State Administration of Taxation on March 30, 1998, starting from January 1, 1997, individual income tax continues to be exempted on the income obtained by individuals from transferring shares of listed companies.

Corporate Investors

According to the Enterprise Income Tax Law (《企業所得稅法》) and the Regulations on the Implementation of the Enterprise Income Tax Law (《企業所得稅法實施條例》), non-resident enterprises shall pay enterprise income tax on their income derived from China (including income from the transfer of equity investments in Chinese enterprises). For a non-resident enterprise having no office or establishment in China, or if an office or establishment has been established in China but the income obtained has no actual connection with the office or establishment, the enterprise income tax shall be levied at a reduced rate of 10%. The above-mentioned income tax payable by non-resident enterprises shall be withheld at source, and the income payer shall be the withholding agent. The tax shall be withheld by the withholding agent from the amount paid or due for payment at the time it is paid or due for payment.

Product Liability

Pursuant to the Product Quality Law of the People's Republic of China (《中華人民共和國產品品質法》) promulgated by the NPCSC on February 22, 1993, and last amended on December 29, 2018, the production or sale of products that do not comply with the standards and requirements for safeguarding human health and personal and property safety is prohibited. Products shall not contain unreasonable dangers that threaten personal or property safety. If a personal injury or damage to the property of others is caused by a defect in a product, the victim may claim compensation from the producer of the product or from the seller of the product. If a producer or seller produces or sells non-compliant products, it shall be ordered to cease production and sale, the illegally produced or sold products shall be confiscated, and a fine shall be imposed; if there are illegal gains, such gains shall also be confiscated; if the circumstances are serious, the business license shall be revoked.

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According to the relevant provisions of the Civil Code of the People’s Republic of China (《中華人民共和國民法典》) (the “**Civil Code**”), if harm is caused to another person due to a defect in a product, the infringed party may claim compensation from the producer of the product or from the seller of the product. If the producer or seller, knowing that the product has a defect, continues to produce or sell it, or fails to take effective remedial measures as required by the Civil Code, thereby causing the death of another person or serious harm to their health, the infringed party has the right to claim corresponding punitive damages.

Labor, social insurance and housing provident fund

The Labor Law of the People’s Republic of China (《中華人民共和國勞動法》) promulgated by the NPCSC on July 5, 1994 and last amended on December 29, 2018 and the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》), promulgated on June 29, 2007, effective on January 1, 2008, last amended on December 28, 2012 and effective on July 1, 2013 stipulate the relationship between employers and employees, and specifies the terms and conditions of employment contracts.

According to the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》) promulgated by the NPCSC on October 28, 2010, effective on July 1, 2011, and last revised on December 29, 2018, and the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and revised on March 24, 2019, as well as the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1994 and revised on March 24, 2002 and March 24, 2019, employers shall pay social insurance premiums such as basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, and maternity insurance for their employees, as well as contribute to housing provident funds.

On July 31, 2025, the PRC Supreme People’s Court promulgated the Supreme People’s Court’s Interpretation (II) on Several Issues Concerning the Application of Law in 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 took effect on September 1, 2025. Article 19(1) thereof stipulates that if an employer and an employee agree or the employee undertakes that social insurance premiums need not be paid, the court shall deem such agreement or undertaking invalid. Furthermore, where an employer fails to pay social insurance premiums in accordance with the law, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to Article 38(3) of the Labor Contract Law, the court shall support such claims in accordance with the law, which clarifies that employees are entitled to request termination of their labor contracts and receive corresponding economic compensation under the Labor Contract Law if the employer fails to make social insurance contributions in accordance with the law.

Regulations concerning information security and data privacy

Data Security and Cross-Border Data Transfer

The NPCSC promulgated the Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》), on June 10, 2021 (effective from September 1, 2021), for the establishment of a data classification and grading protection system to conduct classified and hierarchical protection of data. Entities engaged in data processing activities shall, in accordance with laws and regulations, establish a sound full-process data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security.

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The Regulations on Promoting and Regulating the Cross-border Flow of Data (《促進和規範數據跨境流動規定》) promulgated by the CAC and effective on March 22, 2024 stipulates that if a data handler provides data overseas and meets one of the following conditions, it shall apply for cross-border data transfer security assessment to the cyberspace administration of the State through the local provincial cyberspace administration: (1) critical information infrastructure operators provide personal information or important data overseas; (2) data handlers other than critical information infrastructure operators provide important data overseas, or have provided overseas personal information of more than 1 million people (excluding sensitive personal information) or sensitive personal information of more than 10,000 people since January 1 of that year.

Personal Information Protection

According to the Civil Code, personal information of natural persons is protected by law. If any organization or individual needs to obtain other people’s personal information, they should obtain it in accordance with the law and ensure the security of the information. They must not illegally collect, use, process, or transmit other people’s personal information, and must not illegally buy, sell, provide, or disclose the information. The Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》) promulgated by the NPCSC on August 20, 2021 and implemented on November 1, 2021, further emphasizes the obligations and responsibilities of processors for the protection of personal information, and requests higher level of protective measures on the processing of sensitive personal information.

According to the Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》) promulgated by the NPCSC on November 7, 2016 and last amended on October 28, 2025, which became effective on the January 1, 2026, network operators must follow the principles of legality, legitimacy and necessity when collecting and using personal information, and publicly disclose the rules for collection and use, clearly state the purpose, method and scope of collecting and using information, and obtain the consent of the person whose data is being collected. Network operators shall not collect personal information unrelated to the services they provide. Network operators are not allowed to leak, tamper with, or damage the personal information they collect; they are not allowed to provide personal information to others without the consent of the person whose data is being collected. However, this does not apply to cases where a specific individual cannot be identified and the identity cannot be recovered after processing. Network operators should take technical measures and other necessary measures to ensure the security of the personal information they collect and prevent leakage, damage and loss of information.

On September 24, 2024, the State Council issued the Regulation on the Administration of Cyber Data Security (《網路數據安全管理條例》) (the “**Cyber Data Security Regulation**”), which became effective from January 1, 2025. The Cyber Data Security Regulation stipulated certain requirements on network data processing activities, the security and protection of network data, and the reasonable and effective use of network data, and further shed light on the protection of personal information, security of important data, management of cross-border security of network data and obligations of network platform service providers.

Regulations concerning overseas listing

The Securities Law of the People’s Republic of China (《中華人民共和國證券法》) (the “**Securities Law**”), last revised by the NPCSC on December 28, 2019 and effective as of 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

REGULATORY OVERVIEW

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. The China Securities Regulatory Commission (the 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.

According to the Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) issued by the China Securities Regulatory Commission (the “CSRC”) on February 17, 2023 and effective from March 31, 2023 (hereinafter referred to as the “**Management Trial Measures**”), where domestic enterprises seek overseas securities issuance and listing, the issuer shall file with the CSRC in accordance with the Management Trial Measures. If an issuer procures an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting application documents for overseas securities issuance and listing. If the filing materials are complete and comply with regulations, the CSRC will complete the filing within 20 working days from the date of receipt of the filing materials and publicize the filing information through its website.

According to the Management Trial Measures, overseas securities issuance and listing is not allowed if one of the following circumstances exists: (I) financing through listing is explicitly prohibited by laws, administrative regulations or relevant national regulations; (II) the overseas offering and listing may endanger national security as determined by the relevant competent department under the State Council after examination according to the law; (III) a domestic enterprise or its controlling shareholder or actual controller has committed a criminal crime of corruption, bribery, embezzlement, misappropriation of property or disrupting the order of the socialist market economy in the last three years; (IV) a domestic enterprise is under formal investigation according to the law for being suspected of any crime or major violation of laws and regulations, but no clear conclusions have been made; or (V) there is a major dispute over ownership of the equity held by the controlling shareholder or a shareholder controlled by the controlling shareholder or the actual controller.

Confidentiality and Archives Management for Overseas Listing

According to the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) jointly issued by the CSRC and other departments on February 24, 2023 and effective on March 31, 2023, in the overseas offering and listing activities of domestic enterprises, domestic enterprises, and securities companies and securities service institutions that provide corresponding services shall strictly comply with the applicable laws and regulations of the People’s Republic of China and satisfy the requirements of these Provisions, enhance the legal awareness of safeguarding state secrets and strengthening archives administration, establish and improve the confidentiality and archives work system, and take necessary measures to fulfill the confidentiality and archives administration obligations, and shall not divulge state secrets or work secrets of state organs, or harm the interests of the state or the public. A domestic enterprise that, either directly or through its overseas listed entity, publicly discloses or provides to relevant securities companies, securities service institutions, overseas regulators, and other entities and individuals, any documents and materials that involve state secrets or work secrets of state organs, shall obtain approval from the competent department with the power of examination and approval according to the law, and report to the administrative department of confidentiality at the same level for filing. A domestic enterprise that, either directly or through its overseas listed entity, publicly discloses or provides to relevant securities companies, securities service institutions, overseas regulators, and other entities and individuals, other documents and materials whose divulgence will have adverse impact on national security or public interest, shall strictly undergo the relevant procedures in accordance with the relevant regulations of the state.

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Regulations Concerning H-share Full Circulation

According to the Management Trial Measures, for a domestic company undertaking direct offering and listing of securities overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares to be listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC and authorize the domestic company to file with the CSRC on their behalf.

According to the Guidelines for H-share Companies to Apply for Full Circulation of Domestic Unlisted Shares (《H股公司境內未上市股份申請“全流通”業務指引》) issued by the CSRC on November 14, 2019 and revised on August 10, 2023, “full circulation” means listing and circulation of domestic unlisted shares of H-share companies (including unlisted domestic shares held by domestic shareholders before overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders) on the Hong Kong Stock Exchange. Shareholders of domestic unlisted shares may, under the premise of complying with the relevant laws and regulations and the requirements of the policies on management of state-owned assets, foreign investment, and industry regulation, among others, determine the amount and proportion of shares whose circulation is applied for on their own through consultation, and entrust H-share companies with undergoing the recordation formalities with the CSRC. A domestic unlisted company limited by shares may undergo the recordation formalities with the CSRC in respect of “full circulation” while applying for overseas initial public offering and listing. A shareholder of domestic unlisted shares shall, according to the relevant business rules of China Securities Depository and Clearing Corporation Limited (the “CSDC”), handle registration of transfer of shares, undergo the formalities of registration of shares, and quotation and listing of shares, among others, according to the relevant provisions of the Hong Kong market, and conduct information disclosure according to the law and regulations. H-share companies should submit relevant status reports to the CSRC within 15 days after the shares involved in the application are transferred to the CSDC.

On December 31, 2019, the CSDC and Shenzhen Stock Exchange jointly issued the Implementation Rules for H-Share Full Circulation Business (《H股“全流通”業務實施細則》), which are applicable to cross-border transfer registration, depository and holding, details maintenance, transaction entrustment and instruction transmission, settlement, clearing participant management, nominee holder services and other related operations involved in H-Share Full Circulation Business.

On February 7, 2020, CSDC issued the Guidelines for H-share Full Circulation Business (《H股“全流通”業務指南》), which apply to relevant businesses such as preparation for participating in H-share Full Circulation business, account arrangements, cross-border transfer registration and overseas centralized deposit, initial maintenance and change maintenance of domestic shareholding details, corporate actions, clearing and settlement, and risk management measures involved in H-share Full Circulation business. On the same day, China Securities Depository and Clearing (Hong Kong) Company Limited issued the China Securities Depository and Clearing (Hong Kong) Company Limited Guidelines for H-share Full Circulation Business (《中國證券登記結算(香港)有限公司H股“全流通”業務指南》), which apply to relevant businesses such as share custody and deposit, agent services, settlement arrangements, and risk management measures involved in H-share Full Circulation business.

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, corporate income tax and contract law as described below.

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Corporate Income Tax

U.S. corporate income tax is imposed at the federal level on all entities treated as corporations and by 44 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. U.S. corporate income tax is imposed on all domestic corporations and on foreign corporations having income effectively connected with a U.S. trade or business.

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.

According to our U.S. legal advisers, during the Track Record Period and up to the Latest Practicable Date, we were not engaged in a U.S. trade or business for U.S. federal income tax purposes, and were not subject to U.S. federal corporate income tax on a net-income basis or related U.S. filing obligations. We have complied, in all material respects, with applicable U.S. laws and regulations, and have not been subject to any material penalty, investigation or enforcement action by U.S. authorities during the Track Record Period and up to the Latest Practicable Date.

U.S. EXPORT CONTROL LAWS AND OUTBOUND INVESTMENT RULES

U.S. Export Controls Laws and Regulations

The U.S. export controls regime is a system of laws and regulations administered primarily by the BIS to protect national security and advance U.S. foreign policy objectives. These controls are implemented through the EAR, which govern the movement of commercial and dual-use items, software, and technology that are subject to U.S. jurisdiction.

The EAR applies to three categories of transactions:

- Exports: shipments or transmissions of items from the United States to a foreign destination.
- Reexports: shipments or transmissions of U.S.-origin items, or items otherwise subject to the EAR, from one foreign country to another.
- In-country transfers: releases or shipments of such items within a single foreign country to a different end user or for a different end use than originally authorized.

For EAR purposes, the term “items” is broad and includes physical commodities (such as circuit boards or hardware), software, and technology (such as blueprints, design plans, technical data, or know-how). The method of transmission does not affect whether a transaction is controlled. For example, an export can occur through regular mail, hand-carriage, fax, email, cloud upload/download, or even a phone conversation.

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In addition to direct exports from the United States, the EAR also extends to certain foreign-produced items:

- Under the Foreign Direct Product (“**FDP**”) Rule, foreign-made items may be subject to the EAR if they are the direct product of specified U.S. technology or software, or are produced in a plant or by equipment that is itself a direct product of such U.S. technology or software. Several China-specific FDP rules extend these controls further by applying to items that meet both a defined product scope (based on ECCNs or technical parameters) and a defined destination or end-user scope (such as shipment to designated Chinese companies or entities).
- Under the De Minimis Rule, a foreign-made item may be subject to the EAR if it contains more than a threshold percentage of controlled U.S.-origin content. The threshold is generally 25% for most countries (including China), and 10% for comprehensively sanctioned countries such as Iran and North Korea. Only controlled content (i.e., items that would require a license if exported directly from the United States to the destination country) is counted toward this threshold.

Whether a license is required for an item subject to the EAR depends on several factors: the item’s classification on the CCL, its destination, the end use in the transaction, and the identity of the end user. Not every transaction involving items subject to the EAR requires a license, and some transactions may qualify for specific license exceptions. However, transactions involving restricted destinations, prohibited end uses, or designated end users (such as those on the Entity List) typically require a license, which may be subject to a policy of denial.

Final Rule by the U.S. Department of the Treasury

On October 28, 2024, the U.S. Department of the Treasury (the “**Department of Treasury**”) issued the “Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern” (the “**Final Rule**”) to implement an outbound investment program that restricts investments by U.S. Persons and U.S.-controlled entities. The Final Rule became effective on January 2, 2025. On December 18, 2025, the Comprehensive Outbound Investment National Security Act of 2025 (the “**COINS Act**”) was passed by the U.S. congress and became law. The COINS Act directs the U.S. Secretary of the Treasury to issue regulations restricting United States outbound investments in countries of concern involving certain technologies and will supersede the Final Rule. It was instructed that the regulations implementing the relevant provisions of the new law will be issued within 450 days of its enactment (i.e., before March 2027). The Final Rule remains in effect until the regulations implementing the COINS Act are issued.

Application Scope of the Final Rule

The Final Rule applies to investments by U.S. Persons as to “covered transactions” involving “covered foreign person” associated with a “country of concern” in “covered activities.” Below are certain key concepts for the application of the Final Rule:

- “Covered Transactions” under the Final Rule include (1) acquisition of an equity interest or contingent equity interest; (2) provision of a loan or a similar debt financing arrangement that affords the U.S. Person an interest in profits, right to appoint members of the board of directors (or equivalent), or other comparable financial or governance rights characteristic of an equity investment but not typical of a loan; (3) conversion of a contingent equity interest; (4) greenfield and brownfield investments; (5) entrance into a joint ventures; and (6) acquisition of a limited partner or equivalent interest in a venture capital fund, private equity fund, fund of funds, or other pooled investment fund.

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- “Covered Foreign Person” under the Final Rule include (1) an entity that is (a) established or with principal place of business in China (including Hong Kong or Macau) or (b) 50% owned by an entity described in (a) above, the Chinese government, or a citizen or a permanent resident of China, where in both cases, the entity engages in a “covered activity”; (2) an entity with Chinese ties, meaning an entity that (a) has certain governance, voting or equity interests, or management rights in an entity identified in (1) above, and (b) attributes more than 50% of its revenues, net income, capital expenditures, and operating expenses to the entity identified in (1) above; and (3) an entity described in (1) (a) and (b) above that participates in a joint venture that engages, or plans to engage, in a “covered activity”.
- “Country of Concern” is the People’s Republic of China, including Hong Kong and Macau.
- “Covered Activities” refer to activities in three sensitive sectors: (1) semiconductors and microelectronics sector, (2) quantum information technologies sector and (3) artificial intelligence sector that pertain to specified categories of national security technologies and products.

Main Restrictions under the Final Rule

The Final Rule prohibits or requires notification of certain investments by U.S. Persons in Covered Foreign Persons. Moreover, it prohibits U.S. Persons from knowingly directing investments in Covered Foreign Persons by non-U.S. investors if such investments would be prohibited if undertaken by a U.S. Person. Among the three sensitive sectors covered by the Final Rule, the sector that is relevant to our Group is the semiconductors and microelectronics sector.

In the semiconductors and microelectronics sector, “prohibited transactions” include covered transactions involving a covered foreign person that engages in:

- developing or producing any electronic design automation software for the design of integrated circuits or advanced packaging;
- developing or producing certain front-end semiconductor fabrication equipment or equipment for volume advanced packaging;
- designing any integrated circuit that meets or exceeds the performance parameters in ECCN 3A090.a, or integrated circuits designed for operation at or below 4.5 Kelvin;
- fabricating logic integrated circuits using a non-planar transistor architecture or with a technology node of 16/14 nanometers or less; NAND memory integrated circuits with 128 layers or more; or DRAM integrated circuits using a technology node of 18 nanometer half-pitch or less;
- packaging any integrated circuit using advanced packaging techniques; or
- developing, installing, selling, or producing any supercomputer enabled by advanced integrated circuits meeting specified theoretical compute capacity.

“Notifiable transactions” with respect to the semiconductors and microelectronics sector include covered transactions involving a covered foreign person that engages in:

- designing any integrated circuit that is not otherwise described in the prohibited categories above;

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- fabricating any integrated circuit that is not otherwise described in the prohibited categories above; or
- packaging any integrated circuit that is not otherwise described in the prohibited categories above.

Certain transactions that would have been considered prohibited or notifiable transactions may be exempted from the prohibition or notification requirements and may fall into “excepted transaction” under the Final Rule. The exemptions include (1) investments in publicly traded securities, (2) securities issued by investment companies, (3) certain limited partner or equivalent investments, (4) derivatives, (5) full buyouts from a person of a country of concern, (6) intracompany transactions, (7) certain syndicated debt financings, (8) equity-based compensation, and (9) certain transactions involving a person of a country or territory outside of the U.S. based on a determination by the U.S. Secretary of the Treasury.

The publicly traded securities exemption applies to securities traded on a securities exchange in any jurisdiction, as long as (i) the trade does not afford the U.S. Person rights beyond standard minority shareholder protections with respect to the covered foreign person and (ii) the shares are officially available for public trading after the initial public offering. On December 23, 2025, the U.S. Department of the Treasury issued new guidance regarding the Final Rule through “Frequently Asked Questions”. The new guidance clarified that, absent additional facts, when a U.S. Person acquires an equity interest in a “covered foreign person”, and at the time of such acquisition the equity interest is publicly traded, such security falls under the description of a “publicly traded security” in the Final Rule, regardless of when a subscription agreement for such equity interest is entered into, as long as the transaction does not afford the U.S. Person rights beyond standard minority protections with respect to the issuer of such securities. Therefore, U.S. Persons may be able to rely on the publicly traded securities exemption for their [REDACTED] of our H Shares in the [REDACTED] if the relevant requirements are met. However, whether a transaction meets the requirements of the “publicly traded securities” exemption is highly fact-specific; any [REDACTED] seeking to rely on this exemption must consult their own legal advisors to make their own determinations as to the availability of the exemption for a particular transaction and their obligations under the Final Rule.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN HONG KONG

Below is a summary of certain laws and regulations in Hong Kong which are expected to be applicable to our business in Hong Kong:

Business Registration Ordinance

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every entity which carries on a business in Hong Kong to apply for a business registration.

Sale of Goods Ordinance

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) governs the formation, performance and remedies of contract for the sale of goods in Hong Kong and the transfer of title of goods sold. The ordinance also sets out certain implied terms or conditions and warranties generally relating to the safety and suitability of goods supplied under a contract of sale for goods in Hong Kong, including:

- (i) where there is a contract for the sale of goods by description, the goods shall correspond with the description;

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- (ii) where the seller sells goods in the course of a business, the goods shall be of a merchantable quality, i.e. (a) as fit for the purpose or purposes for which the goods of that kind are commonly bought; (b) of such standard of appearance and finish; (c) as free from defects (including minor defects); (d) as safe; and (e) as durable, as it is reasonable to expect having regard to any description applied to them, the price (if relevant) and all the other relevant circumstances;
- (iii) where the seller sells goods in the course of a business and the buyer makes known to the seller (whether expressly or by implication) any particular purpose for which the goods are being bought, the goods supplied under the contract shall be reasonably fit for that purpose; and
- (iv) where there is a contract for sale by sample, (i) the bulk shall correspond with the sample in quality, (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample, and (iii) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

Any right, duty or liability which arises under a contract of sale of goods by implication of law may be negated or varied by express agreement, or by course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract, subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong).

Import and Export Ordinance

The Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) (the “**IERR**”), imposes duties on importers and exporters to complete declaration with the Customs and Excise Department.

Under Section 6C of the Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (the “**IEO**”), no person shall import any article prescribed in Schedule 1 of the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong) (the “**IEGR**”) except under and in accordance with an import license. Under Section 6D of the IEO, no person shall export any article specified in the second column of Schedule 2 of the IEGR except under and in accordance with an export license issued by the Director-General of Trade and Industry. Such import and export licenses are issued under Section 3 of the IEO.

Under Section 6A of the IEO, no person shall import to or export from Hong Kong any article prescribed in Schedule 1 to the Import and Export (Strategic Commodities) Regulations (Chapter 60G of the Laws of Hong Kong) except under and in accordance with an import or export license issued by the Director-General of Trade and Industry. Any person who contravenes this section commits an offence and is liable on summary conviction to a fine of HK\$500,000 and to imprisonment for 2 years, and on conviction on indictment to an unlimited fine and to imprisonment for 7 years.

Under Regulations 4 and 5 of the IERR, any person who imports or exports any article other than an exempted article shall lodge an accurate and complete import or export declaration relating to such article using services provided by a specified body with the Commissioner of Customs and Excise (the “**Commissioner**”). Exempted articles include transshipment cargo, transit cargo, articles for personal use or gifts. The declaration must follow the requirements that the Commissioner may specify and lodged within 14 days of such import or export. Any person who is required to lodge an import or export declaration but fails to do so without reasonable excuse shall be liable on summary conviction to a fine of HK\$2,000, and, commencing on the day following the date of conviction, to a fine of HK\$100 in respect of every day the declaration is still not lodged.

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Inland Revenue Ordinance

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**IRO**”) imposes taxes on property, earnings and profits in Hong Kong. The IRO provides, *inter alia*, that persons (which in addition to individuals include corporations, partnerships, trustees and bodies of persons) carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business.

To the best knowledge of the Directors, as advised by our Hong Kong legal advisors, during the Track Record Period and up to the Latest Practicable Date, our business has complied, in all material respects, with applicable Hong Kong laws and regulations and has not been subject to any material litigation in Hong Kong.