
REGULATORY OVERVIEW

THE PRC LAWS, REGULATIONS AND POLICIES

This section sets out summaries of certain aspects of PRC laws, regulations and policies, which are relevant to business operations of our Company.

LAWS, REGULATIONS AND POLICIES RELATING TO THE IC INDUSTRY

On March 5, 2023, the first session of the 14th National People’s Congress reviewed and approved the Report on the Implementation of the Central and Local Budgets for 2022 and Draft Central and Local Budgets for 2023 (《關於2022年中央和地方預算執行情況與2023年中央和地方預算草案的報告》), and the Draft Central and Local Budgets for 2023 (《2023年中央和地方預算草案》) (the “**Draft Budgets**”). The Draft Budgets pointed out that the main revenue and expenditure policies for 2023 include promoting the optimization and upgrading of the industrial structure, insisting on building industrial development on the basis of scientific and technological support, and promoting the improvement of the industrial technological innovation system. The special funds for industrial foundation reconstruction and high-quality development of manufacturing industry will be RMB13.3 billion, with an increase of RMB4.4 billion, and will focus on supporting the development of key industries such as integrated circuits.

According to the Notice of “14th Five-Year Plan” for the Development of Digital Economy (《“十四五”數字經濟發展規劃的通知》), promulgated by the State Council on December 12, 2021, during the “14th Five-Year Plan” period, the promotion of digital industrialization should be accelerated to make up for key technical shortcomings. Optimizing and innovating organizational methods such as “selecting the best candidates via open competition mechanism” (“揭榜掛帥”), focusing on breakthroughs in key core technologies in the fields of high-end chips, operating systems, industrial software, core algorithms and frameworks, and strengthening the integrated research and development of general-purpose processors, cloud computing systems, and key software technologies. In addition, the competitiveness of key links in the industrial chain should be improved, and the supply chain systems of key industries such as 5G, integrated circuits, new energy vehicles, artificial intelligence, and industrial Internet should be improved.

The National People’s Congress (the “NPC”) promulgated the Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives through the Year 2035 of the PRC on March 11, 2021, proposing to foster advanced manufacturing clusters and promote Industrial innovation and development of integrated circuits, aerospace, ship and ocean engineering equipment, robots, advanced rail transit equipment, advanced power equipment, construction machinery, high-end CNC machine tools, medicine, and medical equipment. Focusing on key areas such as high-end chips, operating systems, key algorithms for artificial intelligence, and sensors, and accelerating breakthroughs in research and development and iterative applications of basic theories, basic algorithms, and equipment materials. Strengthening the integrated research and development of general-purpose processors, cloud computing systems, and software core technologies. Accelerating the deployment of cutting-edge technologies such as quantum computing, quantum

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communication, neural chips, and DNA storage; strengthening cross-innovation in basic disciplines such as information science, life science, and materials; supporting the development of innovative consortia such as digital technology open source communities, and improving open source intellectual property rights and legal systems, encouraging enterprises to open software source code, hardware design and application services.

On July 27, 2020, the State Council announced Several Policies to Promote the High-quality Development of the IC Industry and the Software Sectors in the New Era (《新時期促進集成電路產業和軟件產業高質量發展的若干政策》), in order to further optimize the development environment of the integrated circuit industry and software sectors, deepen international cooperation in the industry, and enhance the industrial innovation capability and development quality, launch a series of supporting fiscal and taxation, investment and financing, research and development, import and export, talents, intellectual property rights, market application and international cooperation policies.

On November 19, 2017, the State Council promulgated the Guiding Opinions of the State Council on Deepening “Internet + Advanced Manufacturing” and Developing Industrial Internet (《國務院關於深化“互聯網+先進製造業”發展工業互聯網的指導意見》) (the “**Guiding Opinions**”). The Guiding Opinions encourage domestic and foreign enterprises to cooperate in tackling technical problems for weak links such as big data analysis, industrial data modeling, key software systems, and chips; it is recommended to implement relevant preferential tax policies, promote preferential enterprise income tax for software and integrated circuit industries, and encourage relevant enterprises to accelerate the development and application of industrial Internet.

In June 2014, the State Council promulgated the Outline for Promoting the Development of the National Integrated Circuit Industry (《國家集成電路產業發展推進綱要》), which stated that the development goal of the integrated circuit industry is to reach an advanced international standard in the major links of the integrated circuit industry chain by 2030, with a number of enterprises entering the international first tier and achieving leapfrog development. The main tasks and development priorities are to focus on the development of integrated circuit design industry, accelerate the development of the integrated circuit manufacturing industry, enhance the development level of the advanced packaging and testing industry, and make breakthroughs in the key equipment and materials for integrated circuits.

LAWS AND REGULATIONS RELATING TO OVERSEAS [REDACTED]

On February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures and five relevant guidelines, which became effective on March 31, 2023. Meanwhile, the Special Provisions of the State Council for the Share Offerings and Listings Overseas of Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) and the Circular of the State Council Concerning Further Strengthening the Administration of Share Issuance and Listing Overseas (《國務院關於進一步加強在境外發行股票和上市管理的通知》), which were previously the main institutional basis for overseas offering and listing by domestic enterprises, were repealed on March 31, 2023.

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According to the Overseas Listing Trial Measures, PRC domestic enterprises which seek to issue and list securities in overseas markets by direct or indirect means are required to complete the filing procedures with and submit relevant materials to the CSRC. The Overseas Listing Trial Measures provides that an overseas offering and listing is prohibited if there is one of the following circumstances: (1) the listing is specifically prohibited for financing purposes by laws, administrative regulations, or applicable requirements imposed by the country; (2) the overseas offering and listing might endanger national security as reviewed and determined by competent authorities under the State Council in accordance with relevant laws; (3) the domestic enterprise or its controlling shareholders and de facto controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy in recent three years; (4) the domestic enterprise is currently under judicial investigations for suspicion of criminal offenses or materially breaching laws or regulations, where no definitive conclusions have been reached; or (5) there are material ownership disputes with respect to equity interests held by controlling shareholders or equity interests held by other shareholders controlled by controlling shareholders and/or de facto controllers.

The Overseas Listing Trial Measures also provides that if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas offering and listing by PRC domestic enterprises: (1) the amount of any of the operating revenue, total profit, total assets or net assets of the domestic enterprise represents over 50% of that of the relevant item in the issuer’s audited consolidated financial statements for the most recent fiscal year; and (2) the main parts of the issuer’s business activities are conducted in mainland China, or its principal place of business is located in mainland China, or the majority of senior management in charge of its business operations and management are PRC citizens or have their usual place of residence located in mainland China. Where an issuer submits an application for an initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as a change of control or voluntary or forced delisting of the issuer who has completed an overseas offering and listing.

In addition, in order to further strengthen the confidentiality and archives administration in connection with overseas offerings and listings of domestic enterprises, clarify information security responsibilities of listed companies, maintain national information security, and deepen cross-border regulatory cooperation, the CSRC, the MOF, the National Administration of State Secrets Protection, and the National Archives Administration revised the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings (CSRC Announcement [2009] No. 29) (《關於加強在境外發行證券與上市相關保密和檔案管理工作的規定》(證監會公告[2009]29號)), and promulgated the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings by Domestic Enterprises (CSRC Announcement [2023] No. 44) (《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》(證監會公告[2023]44號)) (“**Provisions on Confidentiality and Archives Administration**”) on February 24, 2023. To align with the Overseas Listing Trial Measures, “domestic

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enterprises” in the Provisions on Confidentiality and Archives Administration are defined as enterprises that include domestic joint stock companies that are to directly offer and list their securities overseas and domestic operating entities that are to indirectly offer and list their securities overseas. At the same time, procedural requirements have been added to the Provisions on Confidentiality and Archives Administration which also clarifies the requirements of enterprises’ confidentiality responsibilities and accounting archives administration.

LAWS AND REGULATIONS RELATING TO CYBERSECURITY AND DATA PROTECTION

Cybersecurity

According to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) promulgated by the Standing Committee of the National People’s Congress (“SCNPC”) on November 7, 2016 and came into effect on June 1, 2017, 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, 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. According to the Data Security Law, the State supports research on data development and utilization and data security technologies, encourages the promotion of technologies and commercial ventures in the fields of data development and utilization and data security, and nurtures and develops data development and utilization and data security products and industrial systems. The State also supports education and scientific research institutions and enterprises to carry out education and training on data development and utilization technologies and data security, and adopts various means to train professionals in data development and utilization technologies and data security to promote the exchange of talents.

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The Data Security Law also 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 July 30, 2021, the State Council promulgated the Regulations of Security Protection for Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which went into effect on September 1, 2021. According to the Regulations of Security Protection for Critical Information Infrastructure, critical information infrastructure, or the CII, refers to any important network facilities or information systems of important industries and fields such as public communications and information services, energy, transportation, water conservancy, finance, public services, e-government affairs and national defense science, and other important ones whose damage, function loss or data leakage may endanger national security, people’s livelihood and public interests. According to the Regulations, the competent departments and supervisory departments, which govern the important industries and fields, shall be responsible for organizing the identification of the CIIs in respective industries or fields, as the departments responsible for the security protection of the CIIs, and such departments should promptly notify the CII operators of the identification results, and notify the public security department of the State Council.

On November 14, 2021, the Cyberspace Administration of China (the “CAC”) published the Administrative Regulations for Internet Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), which provides that data processors conducting the following activities must apply for a cybersecurity review: (1) a merger, reorganization, or division to be conducted by an internet platform operator who has amassed a substantial amount of data resources that concern national security, economic development or public interests, which will or may impact national security; (2) a foreign listing to be conducted by a data processor processing the personal information of more than one million individuals; (3) a Hong Kong listing to be conducted by a data processor, which will or may impact national security; or (4) other data processing activities that impact or may have an impact on national security. The Administrative Regulations for Internet Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) has not yet been officially enacted and implemented.

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On December 28, 2021, the CAC, the National Development and Reform Commission of the PRC (the “NDRC”), the Ministry of Industry and Information Technology of the PRC (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 CII 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.

Data Export Security Assessment

On July 7, 2022, the Cyberspace Administration of China issued the Measures for Data Export Security Assessment, which came into effect on September 1, 2022. According to the Measures, data processors are required to submit an application for data export security assessment to the national cyberspace administration through the provincial cyberspace administration in the following circumstances: (1) when the data processor provides important data to entities outside of China; (2) when operators of key information infrastructure and data processors handling personal information of over one million individuals provide personal information to entities outside of China; (3) when data processors who have provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals to entities outside of China cumulatively since January 1 of the previous year provide personal information to entities outside of China; and (4) in other circumstances specified by the Cyberspace Administration of China that require the submission of an application for data export security assessment.

In order to guide and assist data processors in submitting data export security assessments in a standardized and orderly manner, the Cyberspace Administration of China prepared the Guidelines for Data Export Security Assessment Application (Version 1.0) in August 2022, which provide specific requirements for the method, process, and materials required for submitting a data export security assessment application.

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LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “FIL”), which was promulgated by the NPC on March 15, 2019 and came into effect on January 1, 2020, and the Implementation Rules for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Rules for the Foreign Investment Law**”) promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020, the “foreign investment” refers to the investment activities in China carried out directly or indirectly by foreign natural persons, enterprises or other organizations. The State adopts the pre-entry national treatment and negative list management system 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 favorable than the treatment accorded to domestic investors and their investments. Negative list management system refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the PRC. Foreign investors are prohibited from investing in any areas specified in the negative list, and must meet the conditions listed in the negative list before investing in any restricted areas. Investments, profits, and other legitimate rights and interests of foreign investors in China are protected by law, and various national policies supporting the development of enterprises are equally applicable to foreign-funded enterprises. The State guarantees the equal participation of foreign-funded enterprises in the formulation of standards and strengthens the information disclosure and social supervision of standard formulation. The State also ensures that foreign-funded enterprises participate in government procurement activities through fair competition in accordance with the law, and that the products and services provided by foreign-invested enterprises in China are treated equally in government procurement according to the law. Except under special circumstances, the State shall not expropriate any overseas investment.

According to the Measures for Reporting Foreign Investment Information (《外商投資信息報告辦法》) promulgated by MOFCOM and the SAMR on December 30, 2019 and effective on January 1, 2020, foreign investors directly or indirectly engage in investment activities within the territory of China, foreign investors or foreign-funded enterprises shall submit the investment information to competent departments for commerce in accordance with these Measures. Foreign investors or foreign-funded enterprises shall report investment information in a timely manner, follow the principles of truthfulness, accuracy, and completeness, shall not make false or misleading reports, and shall not have major omissions.

According to the Catalogue of Industries Encouraging Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》), which was promulgated by NDRC and MOFCOM on October 26, 2022 and effective from January 1, 2023, as well as the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (“**Negative List**”), which was promulgated by NDRC and MOFCOM on December 27, 2021 and effective from January 1, 2022, foreign investment industries are divided into the Encouraged Industry Catalogue and the Negative List. The Negative List is further subdivided into the “Catalogue of Restricted Foreign Investment Industries” and the “Catalogue of Prohibited Foreign Investment Industries”.

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Industries that are not included in the Negative List are considered as permitted foreign investment industries. Foreign investors are encouraged to invest in integrated circuit design, manufacturing of integrated circuit packaging and testing equipment, new electronic components manufacturing and other industries in China.

In addition, according to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by NDRC and MOFCOM on December 19, 2022 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 for the Security Review of Foreign Investment. The State has established a mechanism for conducting security reviews of foreign investment, which is responsible for organizing, coordinating, and guiding such reviews. 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: (i) 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; (ii) 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.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTIES

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) (“**Trademark Law**”) promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019 and taking effect on November 1, 2019, 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 taking 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. According to the Trademark Law and the Regulation on the Implementation of the Trademark Law of the PRC, the principle of “first-to-file” is adopted with respect to trademark registration in China. Where a trademark for which a registration has been made is identical or similar to an unregistered trademark that has been previously used by another person on the same kind of or similar commodities, the application for registration of such trademark may be rejected. The Trademark Office of China National Intellectual Property Administration (“**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 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.

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Moreover, according to the Trademark Law 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》), 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.

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (“**Patent Law**”) promulgated by the SCNPC on March 12, 1984, amended on October 17, 2020 and effective on 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》) (“**Implementation Rules of the Patent Law**”) promulgated by the State Council on June 15, 2001 and last amended on January 9, 2010 and effective on February 1, 2010, the Patent Office of China National Intellectual Property Administration is responsible for the administration of patent work nationwide. The patent administration departments of the provincial, autonomous region, or municipal governments are responsible for patent administration within their respective jurisdictions. The Patent Law and Implementation Rules of the Patent Law provide for three types of patents: “invention”, “utility model” and “design”. An invention patent is granted to a new technical solution proposed in respect of a product or method or an improvement of a product or method. A utility patent is granted to a new technical solution that is practicable for application and proposed in respect of the shape, structure or a combination of both of a product. A design patent is granted to the new design in shape, pattern or a combination of both and in color, shape and pattern combinations of the whole or part of product aesthetically suitable for industrial application. Invention patents are valid for twenty years, while design patents are valid for fifteen years and utility model patents are valid for ten years, all starting from the date of application. The “first to file” principle is adopted with respect to the patent system in China, which means that if two or more applicants file separate patent applications for the same invention, the person who files the application first will be granted the patent. To be patentable, an invention or a utility model must meet three criteria: novelty, inventiveness, and practicability. The patent rights enjoyed by the patent holder are protected by law. Unless otherwise stipulated by laws, others may only use the patent after obtaining the permit or proper authorization of the patent holder. Otherwise, such behavior will constitute an infringing act of the patent right.

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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 amended 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 amended on January 30, 2013 and effective on March 1, 2013, works of PRC citizens, legal entities or unincorporated organizations, whether published or not, shall enjoy copyright. Works refer to intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, including written works, oral works, photographic works, video and audio works, and computer software. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

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 amended 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 (“**National Copyright Administration**”) on February 20, 2002, the National Copyright Administration is in charge of the registration and administration of software copyrights nationwide and has recognized the Copyright Protection Center of China as a software registration organization. The Copyright Protection Center of China shall grant certificates of registration to computer software copyright applicants in compliance with the Regulations on the Protection of Computer Software and the Measures for the Registration of Computer Software Copyright and make an announcement on the same.

Domain Names

According to the Measures for the Administration of Internet Domain Names promulgated by the Ministry of Industry and Information Technology on August 24, 2017, which came into effect on November 1, 2017, and the Implementation Rules for National Top-Level Domain Name Registration promulgated by the China Internet Network Information Center on June 18, 2019 and came into effect on the same day, domain name owners are required to register their domain names. The Ministry of Industry and Information Technology is responsible for the supervision and management of China’s Internet domain names, while the telecommunications management bureaus of each province, autonomous region, and municipality directly under the central government are responsible for the supervision and management of domain name services in their respective administrative regions. The domain name services follow a “first come, first file” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

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Design of Integrated Circuit Layouts

In order to protect the proprietary rights of integrated circuit layout designs, encourage innovation in integrated circuit technology, and promote the development of science and technology, the State Council promulgated the Regulations on the Protection of Integrated Circuit Layout Designs (the “**Regulations on the Protection**”) on April 2, 2001. According to the Regulations on the Protection, the owner of an integrated circuit layout design has exclusive rights to the design, so long as they comply with the provisions of the Regulations on the Protection. The exclusive rights to the layout design arise upon registration with the intellectual property administration department of the State Council, and layout designs that have not been registered are not protected by the Regulations on the Protection. The protection period for the exclusive rights of a layout design is 10 years, starting from the date of application for registration of the design or from the date of putting it into commercial exploitation somewhere in the world for the first time, whichever is earlier. However, whether or not the design is registered or commercially used, it is no longer protected by the Regulations on the Protection 15 years after the date of completion of the design.

REGULATIONS RELATING TO PROPERTY LEASING

Pursuant to the Law on Administration of Urban Real Estate of the People’s Republic of China (《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 and was latest amended on August 26, 2019, 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 Management Measures for the Lease of Commercial Housing promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010, and effective on February 1, 2011, the parties to a housing lease shall enter into a lease contract in accordance with the law, and shall agree in the lease contract on the handling of the housing when it is expropriated or demolished. Within 30 days after the conclusion of the housing lease contract, the parties to the lease shall go to the competent department of construction (real estate) of the people’s government of the municipality, city or county where the leased housing is located to register and file the housing lease. The parties to the housing lease can also entrust others in writing to handle the lease registration and filing. In violation of the foregoing provisions, the competent construction (real estate) departments of the people’s governments of the municipalities directly under the central government, cities and counties shall order rectification within a time limit. If rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed.

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LAWS AND REGULATIONS RELATING TO LABOR, SOCIAL INSURANCE AND HOUSING FUNDS

Labor Contract

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and amended and came into effect on December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, last amended on December 28, 2012 and came into effect on July 1, 2013 and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008 and came into effect on the same date, an employer shall establish and improve labor rules and regulations according to the laws, and shall strictly comply with the national standards, provide relevant training to its employees, protect their labor rights and perform its labor obligations. If an employer establishes labor relationship with an employee, they should enter into a written labor contract. Labor contracts shall be categorized into fixed-term labor contract, unfixed-term labor contract and labor contract for the completion of certain work assignments. The wages payable by an employer to its employees shall not be less than local minimum wage. In addition, an employer must establish and improve the labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for employees, so as to prevent accidents in the labor process and reduce occupational hazards.

Social Insurance

In accordance with 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 SCNPC on October 28, 2010, which was then amended and put into effect 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》) promulgated by the State Council on January 22, 1999, which was then amended and put into effect on March 24, 2019, the Decision of the State Council on Establishing a Basic Medical Insurance System for Urban Employees (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated by the State Council on December 14, 1998 and put into effect on the same day, the Decision of the State Council on Establishing a Unified Basic Old-age Insurance System for Enterprise Employees (《國務院關於建立統一的企業職工基本養老保險制度的決定》) promulgated by the State Council on July 16, 1997 and put into effect on the same day, the Regulations on Work Injury Insurance (《工傷保險條例》) promulgated by the State Council on April 27, 2003, which was amended on December 20, 2010 and put into effect on January 1, 2011, the Regulations on Unemployment Insurance (《失業保險條例》) promulgated by the State Council on January 22, 1999, as well as the Provisional Measures on Maternity Insurance of Enterprise Employees (《企業職工生育保險試行辦法》) promulgated by the Ministry of Labor and Social Security of the PRC (now repealed) on December 14, 1994 and put into effect on January 1, 1995, enterprises shall pay basic endowment insurance, basic medical insurance, unemployment insurance, maternity insurance and employment injury insurance for their employees in accordance with the statutory payment base and proportion. Basic endowment

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insurance, basic medical insurance and unemployment insurance shall be jointly borne by enterprises and employees, while the maternity insurance and employment injury insurance paid by enterprises. An employer that has not paid the social insurance premium in full amount on time may be ordered to pay the required contributions within a stipulated deadline or pay in full amount by the social insurance premium collecting body and be subject to a late payment fee of up to 0.05% per day since the date of payment default. If the employer still fails to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue imposed by the relevant administrative department.

Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999 and amended on March 24, 2019 and came into effect on the same day, enterprises must register at the housing provident fund management center to pay and deposit housing provident funds and open housing provident fund accounts for their employees. Enterprises are also required to pay and deposit 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 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.

LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY

Pursuant to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and recently revised on December 29, 2018, a seller shall be responsible for repair or change of the product, or for refund of a product if it is sold under any of the following circumstances: (i) the product sold does not possess the properties for use that it should possess, and no prior indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as a product description or physical sample. Where the product has caused any loss to the consumers, the seller shall compensate for such loss.

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According to the Civil Code of the PRC, which was promulgated by the NPC on May 28, 2020 and took effect on January 1, 2021, if defects are found after the product is put into circulation, producers and sellers shall promptly take remedial measures such as stopping sales, issuing warnings and recalling the product. If the party fails to take remedial measures in time or fails to take effective remedial measures and results in increased damage thereof, it shall also bear tortious liability for the increased damage. When recall measures are taken in accordance with the above-mentioned stipulations, the producers or sellers shall bear the necessary expenses incurred to the infringed. When a product is manufactured or sold with full knowledge of its defects, or the person in charge fails to take effective remedial measures in accordance with the above-mentioned stipulations, which cause death or serious damage to the health of others, the infringed party shall have the right to claim appropriate punitive damages.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT TRADE

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (“**Foreign Trade Law**”) promulgated by the SCNPC on May 12, 1994 and amended on December 30, 2022, since December 30, 2022, no registration of foreign trade operators is required. The PRC government allows the free import and export of goods and technologies, unless otherwise provided by laws and administrative regulations. Before December 30, 2022, pursuant to the pre-amendment Foreign Trade Law, a foreign trade operator who is engaged in the import and export of goods or technologies shall process the filing and registration with the foreign trade authority under the State Council or its entrusted agencies, unless otherwise provided by the laws, administrative regulations and requirements of the foreign trade authority under the State Council. Where a foreign trade operator fails to do so, the customs shall not handle the formalities for declaration and clearance of the goods imported or exported by the operator.

According to the Customs Law of the PRC (《中華人民共和國海關法》) (“**Customs Law**”), which was reviewed and passed by the SCNPC on January 22, 1987, last amended on April 29, 2021 and became effective on the same date, the customs of the PRC is the state’s entry and exit customs supervision and administration authority. In accordance with the Customs Law and other relevant laws and administrative regulations, the customs are responsible for the supervision of the transport vehicles, goods, freight items, postal items and other items entering into and departing from the PRC and collecting tariff and other duties and charges. All imported goods, throughout the period from arrival in the territory to the customs clearance, all exported goods, throughout the period from declaration to the customs to departure from the territory, and transit, transshipment and through goods, throughout the period from arrival in the territory to departure from the territory shall be subject to the supervision of the customs. Unless otherwise specified, the declaration of import and export goods and the payment of customs duties may be handled by the consignees or consignors of imported or exported goods or entrusted customs declaration enterprises. In addition, pursuant to the Administrative Provisions of the PRC on the Filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the PRC (“**General Administration of Customs**”) on November 19, 2021 and became effective on January 1, 2022, the consignees and consignors of imported or exported goods and customs declaration enterprises shall go through customs declaration and filing procedures at the relevant administration department of customs in accordance with the law.

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LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Pursuant to the Regulation on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, last amended on August 5, 2008 and became effective on the same date, the circulation of foreign currency is prohibited within the territory of the PRC, and foreign currency denomination and settlement are not allowed. The foreign exchange expenditure under current items shall, in accordance with the administrative provisions of the foreign exchange administrative department of the State Council on the payment and purchase of foreign exchange, be paid by an institution with its self-owned foreign exchange upon valid documents or with the foreign exchange purchased from any financial institution operating the foreign exchange settlement or sale business. In addition, domestic entities or individuals who directly make overseas investment or involve in distribution or trade of foreign securities or derivative products, shall go through the formalities for registration in accordance with the provisions of the foreign exchange administration department of the State Council.

Regarding the foreign exchange settlement management, the SAFE promulgated the Circular of SAFE on Reforming the Administrative Approach Regarding the Settlement of Foreign Exchange Capitals of Foreign-invested Enterprises (Hui Fa [2015] No. 19) (《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》(匯發[2015]19號)) (the “**Circular 19**”) on March 30, 2015, which became effective on June 1, 2015. Subsequently, SAFE further promulgated the Circular of SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (Hui Fa [2016] No. 16) (《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》(匯發[2016]16號)) (the “**Circular 16**”) on June 9, 2016. According to Circular 19 and Circular 16, foreign exchange income under the capital account of domestic entities and its capital in RMB obtained from foreign exchange settlement shall not be directly or indirectly used for expenditures beyond its business scope or prohibited by PRC Laws and regulations, nor shall they be provided as loans to its non-affiliated entities, except where it is expressly permitted in the business scope. Violations of Circular 19 or Circular 16 could result in administrative penalties.

The Circular of the SAFE on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (Hui Fa [2017] No.3) (《國家外匯管理局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》(匯發[2017]3號)) (the “**Circular 3**”) promulgated by the SAFE on January 18, 2017 and became effective on the same date stipulates that, several capital control measures with respect to the outward remittance of profits from domestic institutions to overseas institutions. Specifically, a bank that handles outward remittance of profits equivalent to more than US\$50,000 for a domestic institution shall, under the principle of genuine transactions, review the resolutions of the Board of Directors on distribution of profits, original tax recordation form and audited financial statements, and stamp and endorse the relevant original tax recordation form with the actual remittance amount and remittance date. Domestic institutions should hold income to account for previous years’ losses in accordance with the laws before remitting the profits. Moreover, pursuant to the Circular 3, in addition to providing corresponding materials as required, domestic institutions shall make explanations of the sources and utilization of capital (plans of utilization), and provide board resolutions, contracts and other certification materials for authenticity to the bank when completing the registration and remitting procedures in connection with an outbound direct investment.

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LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law (《企業所得稅法》) (the “EIT Law”) promulgated by the SCNPC on March 16, 2007 and last revised and took effect on December 29, 2018 and the Implementation Provisions 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》) promulgated by the State Council on December 6, 2007 and revised and took effect on April 23, 2019, a domestic enterprise, which is established within the PRC in accordance with the laws or established in accordance with any laws of a foreign country (region) but with an actual management institution located in the PRC, shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT rate of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry and project which are supported and encouraged by the State. High and new technology enterprises in need of key support from the State may enjoy a reduced EIT rate of 15%.

On December 2, 2020, the Company was recognized as a high technology enterprise jointly by the Jiangsu Provincial Department of Science and Technology, the Department of Finance of Jiangsu Province, and the Jiangsu Provincial Tax Service, State Taxation Administration, and obtained the “High Technology Enterprise Certificate”. Pursuant to the Administrative Measures for Recognition of High Tech Enterprises (《高新技術企業認定管理辦法》), which was revised by the MOST, the MOF, and the STA and took effect in January 2016, and the Announcement of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Income Tax Policies for High Technology Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》), which was promulgated by the STA on June 19, 2017 and took effect on the same date, the qualification of a high technology enterprise recognized in accordance with the law will be valid for three years from the date of issuance of the certificate. Upon obtaining the qualification as a high technology enterprise, the enterprise should apply for tax concession from the year in which the High Technology Enterprise Certificate is issued and complete the filing procedures with the competent tax authorities as required.

Value-added Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, last amended and became effective on November 19, 2017, and the Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993, last amended on October 28, 2011 and became effective on November 1, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sale of services, intangible assets, real estate and the importation of goods within the territory of the PRC are taxpayers of value-added tax (the “VAT”) and shall pay VAT in accordance with the laws. According to the Notice of the MOF and the State

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Administration of Taxation on the Adjustment to VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) which was promulgated by the MOF and the STA on April 4, 2018 and came into effect on May 1, 2018, the original rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), which was promulgated by the MOF, the STA and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the original rates of 16% or 10% applicable to the general VAT payers' sales activities or imports goods that are subject to VAT are adjusted to 13% or 9%, respectively.

Dividend Withholding Tax

Pursuant to the Arrangement between Mainland China 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 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. 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.

Furthermore, pursuant to the Circular of the State Administration of Taxation on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties (Guo Shui Han [2009] No. 81) (《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》(國稅函[2009]81號)), which was promulgated on and effective from February 20, 2009, where a PRC resident company pays dividends to a fiscal resident of the other contracting party to a tax treaty and such fiscal resident of the other party (or dividend recipient) is the beneficiary of such dividends, such dividends received by the fiscal resident of the other party are entitled to the treatment under the tax treaty, provided that all of the following requirements should be satisfied:

- (1) the taxpayer entitled to the treatment under the tax treaty shall be the fiscal resident of the other contracting party to a tax treaty;
- (2) the taxpayer entitled to the treatment under the tax treaty shall be the beneficiary of relevant dividends;
- (3) dividends entitled to the treatment under the tax treaty shall be the equity investment income such as dividends and bonuses determined under the PRC tax laws; and
- (4) other requirements provided by the STA.

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If the tax resident of the other contracting party to the tax agreement directly owns a certain proportion or more of the capital (usually 25% or 10%) of a Chinese resident company that pays dividends, the dividends obtained by the tax resident of the other contracting party can be taxed at the tax rate specified in the tax agreement. The tax resident of the other contracting party who needs to enjoy the benefits of the tax agreement should meet the following conditions at the same time:

- (1) such tax resident of the other contracting party who obtains dividends should be limited to a company as provided in the tax agreement;
- (2) owner’s equity interests and voting shares of the PRC resident company directly owned by such tax resident of the other contracting party reaches a specified percentage; and
- (3) the capital proportion of the PRC resident company directly owned by such tax resident of the other contracting party, at any time during the 12 months prior to the acquisition of the dividends, reaches a specified percentage in the tax agreement.

Preferential Tax Policy for the Integrated Circuit Industry

As listed in the Guidance of Preferential Tax Policy for Software Enterprises and Integrated Circuit Enterprises (2022) issued by the STA in May 2022, the integrated circuit industry enjoys a variety of tax preferences. Enterprises for integrated circuit design, equipment, materials, packaging and testing encouraged by the State, for example, can enjoy regular exemption or reduction of the enterprise income tax; key integrated circuit design enterprises encouraged by the State can enjoy the regular exemption or reduction of enterprise income tax; staff training expenses of integrated circuit design enterprises can be deducted before tax according to the actual amount incurred.

According to the Notice of the State Council on Issuing Several Policies to Promote the High-quality Development of Integrated Circuit Industry and Software Industry for the New Era (No. 8 [2020]) (“**No. 8 Notice**”), enterprises of integrated circuit design, equipment, materials, packaging and testing and software enterprises encouraged by the State are exempted from enterprise income tax during the first year and the second year from the profit-making year. During the third year to the fifth year, the enterprise income tax shall be levied at half of the statutory tax rate of 25%. Key integrated circuit design enterprises and software enterprises encouraged by the State shall be exempted from enterprise income tax during the first year to the fifth year since the profit-making year, and the enterprise income tax shall be levied at a reduced tax rate of 10% in successive years. Notice of the National Development and Reform Commission and Other Departments on Making Relevant Requirements for the List of Integrated Circuit Enterprises or Projects and Software Enterprises to Enjoy Preferential Tax Policy for 2023, on the basis of Notice No. 8, makes detailed description of the conditions and project standards for enterprises that enjoy preferential tax policy.

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In addition, in accordance with the Notice on Supporting Import Tax Policy for the Development of Integrated Circuit Industry and Software Industry (Financial Tariff No. 4 [2021]) issued by the MOF, the General Administration of Customs and the STA on March 16, 2021, import behaviors that conform to the circumstances listed in this regulation are exempt from import duties. The implementation period is from July 27, 2020 to December 31, 2030.