This section sets out a summary of certain aspects of the laws and regulations which are relevant to the business and operations of our Group. The principal objective of this summary is to provide potential [**REDACTED**] *with an overview of the key laws and regulations applicable to us. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations and/or which may be important to potential* [**REDACTED**]. [**REDACTED**] *should note that the following summary is based on laws and regulations in force as at the date of this document, which may be subject to change.*

PRC LAWS AND REGULATIONS

This section sets out a summary of certain aspects of laws and regulations of the PRC, which are relevant to the business and operations of our Group.

Laws and Regulations in Relation to Product Quality

The Product Quality Law of the People's Republic of China (中華人民共和國產品質量法) (the "Product Quality Law") promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on February 22, 1993, which was last amended and became effective on December 29, 2018, is the principal governing law related to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products they produce, and sellers shall take measures to ensure the quality of the products they sell. A manufacturer shall be liable to compensate for any physical injuries or damage to property other than the defective product itself resulting from the defects in the product unless the manufacturer can prove that: (1) the product has not been put into circulation; (2) the defects causing injuries or damage did not exist at the time when the product was put into circulation; or (3) the science and technology at the time when the product was put into circulation were at a level incapable of detecting the existence of the defect. A seller shall be liable to compensate for any physical injuries or damage to the property of others caused by the defects in the product. Where a product is defective due to a mistake made by the seller and such defect causes physical injury or damage to the property of others, the seller shall bear liability for compensation. Where a seller cannot specify the producer of a defective product nor the supplier of such defective product, the seller shall be liable for compensation. Where a defect in a product causes physical injuries to others or damages to the property of others, the victim may claim compensation from the producer of the product or the seller of the product.

Pursuant to the Civil Code of the People's Republic of China (中華人民共和國民法典) promulgated by the National People's Congress (the "NPC") on May 28, 2020 and effective on January 1, 2021, in the event of damages caused to other parties due to the defects in a product, the infringed party may seek compensation from the manufacturer or the seller of such product and shall have the right to request the manufacturer and the seller to bear tortious liabilities, such as cessation of infringement, removal of obstruction, elimination of danger, etc.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法), which was promulgated by the SCNPC on October 31, 1993, last amended on October 25, 2013 and became effective on March 15, 2014, was aimed at protecting consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods or provide services to customers. Under the amendments made on October 25, 2013, all business operators must pay high attention to protecting customers' privacy and must strictly keep confidential any personal information of consumers obtained during their business operations.

The Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests of the People's Republic of China (中華人民共和國消費者權益保護法實施條例) was promulgated by the State Council of the People's Republic of China (the "State Council") on March 15, 2024 and implemented on July 1, 2024 (the "Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests"). The Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests mainly refine and supplement the obligations of operators and improve the relevant provisions on online consumption, strengthen the obligations of prepaid consumer operators, regulate the behavior of consumer claims and clarify the responsibilities of the government for the protection of consumer rights and interests.

Laws and Regulations in Relation to the Industry

According to the Administrative Regulations for Compulsory Product Certification (強制性產品認證管理規定), which was promulgated by the former General Administration of Quality Supervision, Inspection and Quarantine of the PRC (which merged into the State Administration of Market Regulation (the "SAMR")) on July 3, 2009, amended on September 29, 2022 and became effective on November 1, 2022, products specified by the state shall not be delivered, sold, imported or used in other business activities until they have been certified (the "Compulsory Product Certification") and labeled with China Compulsory Certification (中國強制認證) mark. For products subject to Compulsory Product Certification, the state implements unified product catalogs (the "3C Catalog"), unified compulsory requirements, standards and compliance assessment procedures in technical specification, unified certification marks and unified charging standards.

Pursuant to the Tendering and Bidding Law of the People's Republic of China (中華人民共和國招標投標法) (the "Tendering and Bidding Law") promulgated by the SCNPC on August 30, 1999, revised on December 27, 2017 and effective from December 28, 2017, tenderers shall not collude with each other in setting bidding prices, nor shall they exclude other tenderers from fair competition and harm the lawful rights and interests of the tenderee and other tenderers. Tenderers shall not participate in the bidding competition by offering a price lower than the cost, nor shall they attempt to win the bid in the name of other persons or through other fraudulent means.

According to the Implementation Regulations for the Law of the People's Republic of China on Tenders and Bids (中華人民共和國招標投標法實施條例), which was promulgated on December 20, 2011, last amended on March 2, 2019 and became effective on the same day, where the tender invitation and bidding activities of a project required by law to call for tenders violate the provisions of the Tendering and Bidding Law and such regulations, and have a substantive influence on the outcome of award of tender, if it is impossible to adopt remedial measures to rectify the tender invitations, the bidding and award of tender shall be void, and the tender exercise or bid evaluation shall be organized anew pursuant to the law.

According to the Law of the PRC on Government Procurement (中華人民共和國政府採購法) (the "Procurement Law") promulgated by the SCNPC on June 29, 2002 and last amended and implemented on August 31, 2014, the government procurement methods include public tender invitation, bidding invitation, competitive negotiation, single-source procurement, inquiry about quotations and other methods confirmed by the department for supervision over government procurement under the State Council. Public tender invitation is the principal method of government procurement, and the term "government procurement" means the use of fiscal funds by all levels of state authorities, institutions and social organizations to procure goods, projects and services that fall within the catalog for centralized procurement formulated in accordance with the law or that are above the procurement limits. Pursuant to

Article 73 of the Procurement Law, if any unlawful act made pursuant to Article 71 results in or may result in the supplier winning the bid, the procurement contract shall be canceled if it has not been performed.

Laws and Regulations in Relation to Intellectual Property

Trademarks

The Trademark Law of the People's Republic of China (中華人民共和國商標法) (the "Trademark Law") was promulgated by the SCNPC on August 23, 1982 and became effective on March 1, 1983, and was last amended on April 23, 2019 and came into effect from November 1, 2019. The Implementation Rules 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) was promulgated by the State Council on August 3, 2002 and came into effect on September 15, 2002, and was last amended on April 29, 2014 and became effective from May 1, 2014. The Trademark Law and its implementation rules provide the basic legal framework for regulating trademarks in the PRC. According to relevant laws and regulations, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. Registered trademarks are protected under the Trademark Law and related rules and regulations. If a trademark applied for registration does not comply with relevant regulations or is identical or similar to the trademark already registered or preliminarily approved by others on the same or similar goods, the Trademark Office shall reject the application. The validity period of a registered trademark is 10 years, calculated from the date of approval for registration approval.

Patents

Pursuant to the Patent Law of the People's Republic of China (中華人民共和國專利法) promulgated by the SCNPC on March 12, 1984, last amended on October 17, 2020, and effective from June 1, 2021, and the Implementation Rules 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, last amended on December 11, 2023 and effective from January 20, 2024, there are three types of patents, namely, invention, utility model and design. Invention patents are valid for 20 years, design patents are valid for 15 years and utility model patents are valid for 10 years from the date of application. The PRC patent system adopts a "first come, first file" principle, which means that where more than two persons file a patent application for the same invention, a patent will be granted to the person who applies first. Inventions and utility model patents must meet three criteria: novelty, inventiveness and practicability. Unless otherwise stipulated by relevant laws and regulations, a third party must obtain consent or a proper license from the owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

Copyright and software copyright

Pursuant to the Copyright Law of the People's Republic of China (中華人民共和國著作權法) promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and effective from June 1, 2021, and the Implementing Rules 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, last amended on January 30, 2013 and effective from March 1, 2013, Chinese citizens, legal persons or other organizations enjoy copyright protection over their works, whether published or not, in the domain of literature, art and science.

In addition, internet activities, products disseminated over the internet, and software products also enjoy copyright. Pursuant to the Regulation on Protection of Computer Software (計算機軟件保護條例) promulgated by the State Council on June 4, 1991, effective on November 1, 1991, last amended on January 30, 2013 and implemented on March 1, 2013, the software registration authority shall grant certificates of registration to computer software copyright applicants in compliance with the Regulation on Protection of Computer Software.

Domain names

Pursuant to the Administrative Measures on Internet Domain Names (互聯網域名管理辦法) promulgated by the Ministry of Industry and Information Technology of the PRC (the "MIIT") on August 24, 2017 and effective from November 1, 2017, and the Implementation Rules for the Registration of National Top-level Domain Names (國家頂級域名註冊實施細則) promulgated by China Internet Network Information Center and effective on June 18, 2019, the MIIT is in charge of the administration of PRC internet domain names. Domain owners need to register their domain names. The domain name services follow a "first come, first file" principle. The applicants will become the holders of such domain names upon the completion of the registration procedure.

Laws and Regulations in Relation to Labor Protection, Social Insurance and Housing Provident Funds

Labor security

Under the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) (the "Labor Contract Law") promulgated on June 29, 2007, effective on January 1, 2008, and last amended on December 28, 2012 and effective on July 1, 2013, labor contracts must be concluded in writing if labor relationships are to be or have been established between enterprises, individual economic organizations, private non-enterprise entities, etc. and the employees. Employers are forbidden to force employees to work overtime or to do so in a disguised manner and employers must pay employees overtime wages in accordance with the regulations of the state. In addition, wages may not be lower than local standards on minimum wages and must be paid to the employees timely. According to the Labor Law of the People's Republic of China (中華人民共和國勞動法) promulgated by SCNPC on July 5, 1994, effective on January 1, 1995 and last amended and implemented on December 29, 2018, employers shall establish and improve a system of labor safety and sanitation and shall strictly abide by national rules and standards on labor safety and sanitation as well as educate employees on labor safety and sanitation so as to prevent accidents during work and reduce occupational hazards. Labor safety and sanitation facilities shall comply with national standards. The employers must also provide employees with labor safety and sanitation conditions that comply with national standards and necessary articles for labor protection.

According to the Provisional Regulations on Labor Dispatch (勞務派遣暫行規定) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014 and effective on March 1, 2014, employers can only use dispatched workers in temporary, auxiliary or alternative jobs. The employer shall strictly control the number of dispatched workers, which shall not exceed 10% of total number of workers. In addition, according to the Labor Contract Law, employers that violate the provisions on labor dispatch shall be ordered by the labor administrative department to make corrections within a time limit. If the correction is not made within the time limit, a fine of not less than RMB5,000 but not more than RMB10,000 per person shall be imposed.

Social insurance and housing provident fund

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) passed by the SCNPC on October 28, 2010, effective on July 1, 2011 and amended and implemented on December 29, 2018, each employer and individual in the PRC shall make social insurance fund, including basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance. An employer who fails to make adequate contributions to social insurance fund shall be ordered to pay or supplement within a stipulated period, and shall be subject to a late fee computed from the date of default at the rate of 0.05% per day. Where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times of the overdue amount.

According to the Administrative Regulations on the Housing Provident Fund (住房公積金管理條例) passed by the State Council on April 3, 1999, last amended and implemented on March 24, 2019, each employer and individual in the PRC shall make housing provident fund. Where, in violation of the provisions of the regulations, an employer is overdue in the contribution of, or underpays, the housing provident fund, the competent PRC government authority shall order it to make the housing provident fund within a stipulated period. If the payment is not made within such stipulated period, an application may be made to the People's Court for compulsory enforcement.

Regulations on Work Safety

According to the Work Safety Law of the People's Republic of China (中華人民共和國安全生產法) promulgated by the SCNPC on June 29, 2002, revised on June 10, 2021 and effective on September 1, 2021, production and business operation entities must formulate safety production objectives and measures, improve the working environment and conditions of workers in a planned and step-by-step manner, establish a safety production guarantee system and implement a safety production post responsibility system. In addition, production and business operation entities must arrange safety production training and provide employees with personal protective equipment that meets national or industry standards. In addition, the production and business operation entities shall report the major hazard sources and related safety measures and emergency measures to the emergency management department and other relevant departments for the record, and formulate a safety risk rating control system and take corresponding control measures.

Laws and Regulations in Relation to Foreign Exchange

According to the Regulations of the People's Republic of China on Foreign Exchange Administration (中華人民共和國外匯管理條例) (the "Foreign Exchange Regulations") promulgated by the State Council on January 29, 1996, effective on April 1, 1996, and last amended and effective on August 5, 2008, international payments in foreign currencies and transfers of foreign currencies under current account in PRC shall not be subject to any restriction. Foreign currency transactions under the capital account, such as direct investment and capital contribution, are still restricted and require approvals from, or registration with, the foreign exchange administrative authorities.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) announced by SAFE on February 1, 2005, effective on March 1, 2005 and amended and implemented on December 26, 2014, SAFE and its branch offices and administrative offices shall oversee, regulate and inspect domestic companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange of funds and other conduct involved in overseas listing. The domestic company shall, within 15 working days upon the end of its overseas public offering, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) announced by SAFE and effective on June 9, 2016, and the Notice of the State Administration of Foreign Exchange on Further Deepening Reform to Promote Cross-border Trade and Investment Facilitation (國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知) announced and effective on December 4, 2023, the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. SAFE may adjust the above proportion in due time according to the balance of payments. While eligible for the discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the funds settled in the previous foreign exchange settlement (including discretionary settlement and payment-based settlement) of such domestic institution. Domestic institutions' foreign exchange receipts under the capital account and the Renminbi funds obtained from the settlement thereof shall not, directly or indirectly, be used for expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the state. Unless otherwise specified, the funds shall not, directly or indirectly, be used for investments in securities or other investments or wealth management other than banks' principal-secured products. The funds shall not be used for the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope. The funds shall not be used for the construction or purchase of real estate for purposes other than self-use (except for real estate enterprises).

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business by the State Administration of Foreign Exchange (國家外匯管理局關於優化外匯管理支持涉外業務發展的通知) issued by SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using receipts under capital accounts, such as their capital funds, foreign credits and the income from overseas listing, with no need to provide the evidentiary materials concerning authenticity on a transaction-by-transaction basis to banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of receipts under capital accounts. Local foreign exchange authorities shall strengthen monitoring analysis and interim and post regulation.

Laws and Regulations in Relation to Taxation

PRC Enterprise Income Tax Law

According to the EIT Law promulgated on March 16, 2007, effective on January 1, 2008 and last amended and implemented on December 29, 2018, and the Implementing Rules of 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實施條例) (the "Implementing Rules of the Enterprise Income Tax Law") promulgated on December 6, 2007, effective on January 1, 2008 and last amended and implemented on April 23, 2019, enterprise income taxpayers shall include resident and non-resident enterprises. Resident enterprise refers to an enterprise established within China or is established under the law of a foreign country (region) but whose actual institution of management is within China. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within China but has offices or establishments within China, or which does not have any offices or establishments within China but has incomes sourced from China. The rate of enterprise income tax shall be 25%. Qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20%.

According to the Administrative Measures for Accreditation of High-tech Enterprises (高新技術企業認定管理辦法) jointly promulgated by Ministry of Science and Technology, Ministry of Finance and the SAT on April 14, 2008, amended on January 29, 2016 and effective on January 1, 2016, enterprises which recognized as high-tech enterprises are entitled to enjoy the preferential enterprise income tax rate of 15%. The validity period of the high-tech enterprise qualification shall be three years from the date of issuance of the certificate of high-tech enterprise. After the certificate expires, the enterprise can re-apply for such recognition as a high-tech enterprise.

Value-added tax

According to the Interim Value-Added Tax Regulations of the People's Republic of China (中華人民共和國增值稅暫行條例), as announced by the State Council on December 13, 1993 and last amended and effective on November 19, 2017, entities and individuals selling goods, providing labor services of processing, repairing or maintenance, selling services, intangible assets and real property in China, and importing goods to China, shall be identified as taxpayers of value-added tax. Unless otherwise provided by laws, the value-added tax rate is 17% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunication, construction, immovable property or immovable property leasing services, transferring the land use rights, or selling or importing specific goods; 6% for taxpayers selling services or intangible assets; 0% for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; and 0% for exported goods, except as otherwise specified by the State Council.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) promulgated by the Ministry of Finance and the SAT on March 23, 2016, the pilot program of replacing business tax with value-added tax nationwide should be comprehensively promoted. All taxpayers of business tax engaged in the construction industry, real estate industry, financial industry and life service industry should be included in the pilot scope with regard to payment of value-added tax instead of business tax.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (財政部、國家稅務總局關於簡並增值稅稅率有關政策的通知) announced by the Ministry of Finance and the SAT on April 28, 2017, the structure of value-added tax rates will be simplified and consolidated from July 1, 2017, and the 13% value-added tax rate shall be canceled. The scope of goods with 11% value-added tax rate and the provisions for deducting input tax are specified.

According to the Circular on Adjusting Value-added Tax Rates (財政部、國家稅務總局關於調整增值稅稅率的通知) announced by the Ministry of Finance and the SAT on April 4, 2018, from May 1, 2018, where a taxpayer engages in a value-added tax taxable sales activity or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the SAT and the General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform (關於深化增值稅改革有關政策的公告) promulgated on March 20, 2019, with respect to value-added tax taxable sales or imported goods of a value-added tax general taxpayer, the originally applicable value-added tax rate of 16% shall be adjusted to 13%, and the originally applicable value-added tax rate of 10% shall be adjusted to 9%.

According to the Announcement on Further Enhancing the Implementation of the End-of-Period Value-Added Tax Refund Policy (關於進一步加大增值稅期末留抵退稅政策實施力度的公告) issued by the Ministry of Finance and the SAT on March 21, 2022, eligible enterprises in manufacturing and other industries may apply to the competent tax authorities for the refund of the remaining recoverable value-added tax from the tax declaration period in April 2022. Taxpayers who have benefited from the value-added tax refund policy of "immediate refund upon collection" (即徵即退) and "levy and refund later" (先徵後返(退)) since April 2019 may apply for end-of-period value-added tax refund, provided that, taxpayers shall apply after returning all the value-added tax refunds enjoyed since April 2019 to relevant tax authorities before October 31, 2022 in one go.

Transfer pricing

Pursuant to the EIT Law, the business transactions between enterprises and their affiliates that reduce the taxable income or income of such enterprises and their affiliates are not in compliance with the arm's length principle, the taxation authority has the right to make an adjustment with reasonable methods. Where enterprises submit to the tax authority the annual enterprise income tax return, they shall enclose a statement of the annual business transactions in respect of the business transactions of the enterprises and their affiliates. If an enterprise fails to provide the information of business transactions with their affiliates, or provides false or incomplete information, which cannot faithfully reflect their affiliated business transactions. The tax authority has the right to verify its taxable income legally, if it is necessary to pay additional taxes, the additional taxes and interest in accordance with the regulations of the State Council should be collected. In addition, in accordance with the Implementing Rules of the Enterprise Income Tax Law, the business transactions between the enterprise and its affiliates do not conform to the principle of independent transactions, or the enterprise arrangements that do not have reasonable commercial purposes, the taxation authorities shall have the right to make the aforesaid tax adjustment within 10 years as from the tax year when such transactions are happened.

According to the Administrative Measures for Special Tax Audits and Adjustments and the Mutual Agreement Procedure (特別納稅調查調整及相互協商程序管理辦法) promulgated by the SAT on March 17, 2017 and effective on May 1, 2017, tax authorities shall carry out special tax adjustments-focused monitoring and administration of enterprises, and may issue a notice of tax matters to enterprises found with any special tax adjustment risks to prompt their existing tax risks. Enterprises can also make a self-adjustment and pay the underpaid tax, and the tax authorities can still perform special tax audits and adjustments thereafter. Tax authorities shall initiate the special tax audit procedure upon request by an enterprise for confirmation of its tax position on special tax adjustment items, such as the pricing principle or method adopted for related-party transactions.

Pursuant to the Administration of Tax Collection Law of the PRC (中華人民共和國稅收徵收管理法) promulgated by the SCNPC on September 4, 1992 and last amended and implemented on April 24, 2015, if a taxpayer fails to pay taxes or a withholding agent fails to remit taxes within the time limit in accordance with the provisions, in addition to ordering the payment within a time limit, the relevant tax authorities may impose a fine on a daily basis at the rate of 0.05% of the amount of tax in arrears. Where a taxpayer fails to file a tax return or fails to pay or underpays the tax due, the tax authorities may impose a fine not less than 50% of and not more than five times the amount of taxes unpaid or underpaid. Criminal liability shall be pursued in accordance with the law if a crime is constituted.

Taxation on dividends

According to the Individual Income Tax Law promulgated on September 10, 1980, last amended on August 31, 2018 and effective on January 1, 2019, and the Regulations for 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 "Implementing Rules of the Individual Income Tax Law") last amended on December 18, 2018 and effective on January 1, 2019, income from interest, dividends, bonuses, property leasing, property transfer and incidental income shall be subject to a proportional tax rate of 20%. In addition, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies (關於上市公司股息紅利差別化個人所得稅政策有關問題的通知) issued on September 7, 2015 by the Ministry of Finance, the SAT and the CSRC, where an individual acquires stocks of a listed company from public offering of the company or from the stock transfer market and holds the stocks for more than one year, the income from dividends is exempted from individual income tax. If the individual holds the stocks for one month or less, the income from dividends is fully taxable. If the individual holds the stocks for one month to one year (one year inclusive), 50% of the income from dividends is taxable. The aforesaid income is subject to an individual income tax at a flat rate of 20%.

In accordance with the EIT Law and the Implementation Rules for the Enterprise Income Tax Law, the rate of enterprise income tax shall be 25%. A non-resident enterprise income tax should be levied at a reduced rate of 10% on income originating from within China if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but the PRC-sourced income is not connected to such establishment or premise in the PRC. Such withholding tax for non-resident enterprises are deducted at source and the payer shall be the withholding agent. The tax shall be withheld by the withholding agent from the amount paid or due for each payment.

The Circular of the State Administration of Taxation on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Share Shareholders of Overseas Non-Resident Enterprise (國家税務總局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税有關問題的通知), which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise unified withhold enterprise income tax at a rate of 10% on dividends paid to H Share shareholders of overseas non-resident enterprise for 2008 and subsequent years. After receiving dividends, the shareholder of a non-resident enterprise may apply to the competent tax authority for the treatment under the tax treaty (arrangement), and after the examination and verification by the competent tax authority, shall refund the balance between the tax paid and the tax payable calculated according to the tax rate stipulated in the tax treaty (arrangement). In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Received by Non-resident Enterprise from Holding Stock such as B-shares (國家税務總局關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆), which was issued by the SAT on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) signed on August 21, 2006, the PRC government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (國家税務總局關於〈內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排〉第五議定書) effective on December 6, 2019 states that such provisions shall not apply to those arrangements or transactions, of which the main purpose includes gaining such tax benefit. The application of the dividend clause of tax agreements must comply with the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家税務總局關於執行税收協定股息條款有關問題的通知) and other Chinese tax laws and regulations.

Pursuant to Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (關於國税發[1993] 045號文件廢止後有關個人所得税徵管問題的通知) issued by the SAT on June 28, 2011, for domestic non-foreign-invested enterprises issuing shares in Hong Kong, its overseas individual shareholders may enjoy relevant preferential tax treatment in accordance with the tax treaties between the PRC and its country of residence, and the tax treaties between the PRC and Hong Kong (or Macao). Domestic non-foreign-invested enterprises that issue shares in Hong Kong generally are subject to withhold personal income tax at 10% of dividends and profits without application. If the individual receiving dividends is a resident of an treaties country with a tax rate of less than 10%, the withholding agent shall apply on their behalf for the relevant preferential treatment in accordance with the provisions and upon approval by the competent tax authority, over-withheld taxes will be refunded. If the individual is a resident of an treaties country with a tax rate higher than 10% but lower than 20%, the withholding agent shall withhold personal income tax at the treaties effective rate when paying dividends and bonuses, and no application is required in such cases. If the individual receiving dividends is a resident of a country without a tax treaties with the PRC or other circumstances exist, the withholding agent shall withhold personal income tax at the rate of 20% when paying dividends.

Tax treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Income tax

According to the Individual Income Tax Law and its Implementing Rules of the Individual Income Tax Law, gains realized on the sale of equity interests in the PRC-resident enterprises are subject to the individual income tax at a rate of 20%. Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (財政部及國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued on March 30, 1998, as of January 1, 1997, income of individuals from the transfer of shares of listed enterprises shall continue to be exempted from individual income tax. On December 31, 2009, the Ministry of Finance, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知), which states that individuals' income from transferring at Shanghai Stock Exchange or Shenzhen Stock Exchange (the "SZSE") the shares of a listed company acquired from the public offerings of the company or from the transfer market shall continuously be exempted from the individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知) jointly issued by the three aforementioned authorities on November 10, 2010.

Stamp duty

Pursuant to the Stamp Tax Law of the People's Republic of China (中華人民共和國印花稅法) effective as of July 1, 2022, PRC stamp duty only applies on specific proof executed or received within the PRC and with legally binding force in the PRC, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H shares by non-PRC investors outside of the PRC.

Laws and Regulations in Relation to Environmental Protection and Fire

Environment protection

The Environmental Protection Law of the PRC (中華人民共和國環境保護法), which was promulgated by the SCNPC on December 26, 1989, effective on the same day and last amended on April 24, 2014 and effective on January 1, 2015, outlines the authorities and duties of environmental protection regulatory agencies. The Ministry of Environmental Protection under the State Council is authorized to issue national standards for environmental quality and discharge of pollutants, and to exercise unified supervision and administration over environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards for discharge of pollutants which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

Environmental impact appraisal

According to the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), which was promulgated by the State Council on November 29, 1998, last amended on July 16, 2017 and became effective on October 1, 2017, depending on the impact of the construction project on the environment, a construction employer shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction employer shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction employer shall not commence the construction.

According to the Environmental Impact Appraisal Law of PRC (中華人民共和國環境影響評價法), which was promulgated by the SCNPC on October 28, 2002 and last amended and implemented on December 29, 2018, for any construction projects that have an impact on the environment, the construction employer is required to prepare an environmental impact report or an environmental impact statement, or file a registration form depending on the seriousness of effect that may be exerted on the environment.

Pollutant discharge

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (排污許可管理辦法(試行)) promulgated on January 10, 2018 and partially revised on August 22, 2019 by the original environmental protection department, now known as the Ministry of Ecology and Environment (the "MEE"), and the Administrative Measures for Pollutant Discharge Licensing (排污許可管理辦法), which was promulgated on April 1, 2024 and scheduled to be implemented on July 1, 2024, enterprises, public institutions and other producers and operators under the administration of discharge permits (referred to as "discharge units") shall apply for and obtain a pollutant discharge license and discharge pollutants in accordance with the provisions of the discharge permit. Any enterprise that fails to obtain a pollutant discharge license as required shall not discharge pollutants.

According to the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources (2019 Version) (固定污染源排污許可分類管理名錄(2019年版)) issued by the MEE on December 20, 2019, key management, simplified management and registration management of pollutant discharge permits are implemented according to factors including the amount of pollutants generated, the amount of pollutants discharged, the degree of impact on the environment, etc., and only pollutant discharge entities that implement registration management do not need to apply for a pollutant discharge permit.

According to the Regulation on Pollutant Discharge Permit Administration (排污許可管理條例) issued by the State Council on January 24, 2021 and effective on March 1, 2021, the administration on pollutant discharge units are divided into key management and simplified management pursuant to the amount of pollutants generated, the amount of pollutants discharged and the degree of impact on the environment. The review, decision and information disclosure of pollutant discharge licenses shall be handled through the management information platform of the national pollutant discharge license. The pollutant discharge license is valid for five years and the discharging units should apply for renewal 60 days to the approval authority before the expiry of the pollutant discharge license if they need to discharge pollutants on a continuous basis.

Acceptance inspection on environmental protection facilities

According to the Administration Rules on Environmental Protection of Construction (建設項目環境保護管理條例), upon completion of construction for which an environment impact report or environment impact statement is formulated, the constructor shall conduct acceptance inspection of the environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council and formulate the acceptance inspection report. The constructor needs to disclose to the public the acceptance inspection report pursuant to the law, except for circumstances where there is a need to keep confidentiality pursuant to the provisions of the state. Where the environmental protection facilities have not undergone acceptance inspection or failed on acceptance inspection, the construction project shall not be put into production or use.

Fire prevention design and acceptance

The Fire Prevention Law of the PRC (中華人民共和國消防法) (the "Fire Prevention Law") was issued by the SCNPC on April 29, 1998, became effective on September 1, 1998 and was last amended and implemented on April 29, 2021. According to the Fire Prevention Law, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (建設工程消防設計審查驗收管理暫行規定) issued by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020, last amended on August 21, 2023 and effective on October 30, 2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

Laws and Regulations in Relation to Exportation of Goods

According to the Regulations of the PRC 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, which came into effect on January 1, 2002 and was last amended on March 10, 2024 and effective on May 1, 2024, the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) promulgated by the SCNPC on May 12, 1994 which came into effect on July 1, 1994 and last amended on December 30, 2022, the Customs Law of the PRC (中華人民共和國海關法) promulgated by the SCNPC on January 22, 1987, which came into effect on July 1, 1987 and last amended on April 29, 2021, the Measures for Record Filing and Registration by Foreign Trade Dealer (對外貿易經營者備案登記辦法) promulgated by the Ministry of Commerce of China ("MOFCOM") on June 25, 2004, which came into effect on July 1, 2004 and was last amended on May 10, 2021 and the

Administrative Provisions of the Customs of the People's Republic of China on Record-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 on November 19, 2021, which came into effect on January 1, 2022, foreign trade business operators engaging in the import or export of goods or technology must go through the record filing and registration formalities with MOFCOM or the agency entrusted by MOFCOM. Unless otherwise provided, the declaration of import or export goods and the payment of duties may be made by the consignees or consignors themselves, or by entrusted customs brokers. Customs declaration entities refer to consignees or consignors of imported or exported goods or customs brokers that have filed for record with Customs. Customs declaration entities may conduct customs declaration business within the customs territory of the PRC.

In accordance with the Law of the People's Republic of China on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法) promulgated by the SCNPC on February 21, 1989, implemented on August 1, 1989 and last amended on April 29, 2021, and the Implementation Regulations of the Import and Export Commodity Inspection Law of the People's Republic of China (中華人民共和國進出口商品檢驗法實施條例) promulgated by the State Council on August 31, 2005 and implemented on December 1, 2005, after the latest revision on March 29, 2022, the General Administration of Customs is in charge of the inspection of import and export commodities nationwide. Exit and entry inspection and quarantine authorities shall inspect the import and export commodities listed in the catalogue and other import and export commodities that are subject to inspection by exit and entry inspection and quarantine authorities as stipulated by laws and administrative regulations. The entry-exit inspection and quarantine authorities shall conduct random inspection and inspection of import and export commodities other than those mentioned above in accordance with the provisions of the state. Imported commodities subject to inspection shall not be sold or used without inspection. Export commodities subject to inspection shall not be allowed to be exported if they have not been inspected or fail to pass the inspection.

Laws and Regulations Relating to Data, Network and Information Security

According to the Cybersecurity Law of the People's Republic of China (中華人民共和國網絡安全法) (the "Cybersecurity Law") promulgated by the SCNPC on November 7, 2016 and effective on June 1, 2017, network operators must abide by applicable laws and administrative regulations and fulfill their cybersecurity protection obligations when conducting business and service activities. To build or operate a network or provide services through a network, technical and other necessary measures shall be taken in accordance with the provisions of laws and administrative regulations and the mandatory requirements of national standards to ensure the security and stable operation of the network, effectively respond to network security incidents, prevent illegal and criminal activities on the network and maintain the integrity, confidentiality and availability of network data.

The Data Security Law of the People's Republic of China (中華人民共和國數據安全法) (the "Data Security Law") was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021. The Data Security Law provides for measures to support the promotion of data security and development, establishes and improves the national data security management system and clarifies the responsibilities of organizations and individuals with regard to data security. The Data Security Law introduces a classification and classification protection system for data based on the importance of data in economic and social development, as well as the degree of harm to national security, public interests or the legitimate rights and interests of individuals and organizations once it is tampered with, destroyed, leaked or illegally obtained or illegally used.

The Cyber Administration of China (the "CAC") and several other regulatory authorities in China jointly issued the Cybersecurity Review Measures (網絡安全審查辦法) on December 28, 2021, which came into effect on February 15, 2022. Where critical information infrastructure operators purchase network products and services, and network platform operators carry out data processing activities that affect or may affect national security, network security reviews shall be conducted in accordance with the Cybersecurity Review Measures.

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) (the "Personal Information Protection Law") was promulgated by the SCNPC on August 20, 2021 and took effect on November 1, 2021. The Personal Information Protection Law stipulates the scope of personal information and the methods of processing personal information, establishes rules on personal information processing and rules on cross-border provision of personal information and clarifies the rights of individuals in personal information processing activities and the obligations of personal information processors.

According to the Regulations on the Administration of Network Data Security promulgated by the State Council on September 24, 2024 and to be implemented on January 1, 2025, network data processors carrying out network data processing activities that affect or may affect national security shall conduct national security reviews in accordance with relevant state regulations.

According to the Measures for Data Exit Security Assessment (數據出境安全評估辦法) promulgated by the CAC on July 7, 2022 and effective on September 1, 2022 (the "Security Assessment Measures"), if the data processor provides data overseas, under any of the following circumstances, it shall report the data exit security assessment to the national network information Department through the local provincial network information department: (1) the data processor provides important data outside China; (2) critical information infrastructure operators and data processors processing the personal information of more than one million people provide personal information abroad; (3) since January 1 of the previous year, data processors who have provided personal information of 100,000 people or sensitive personal information of 10,000 people abroad have provided personal information abroad; and (4) other situations required to declare data exit security assessment as stipulated by the national network information department.

Laws and Regulations in Relation to Foreign Investment

The Company Law of the People's Republic of China (中華人民共和國公司法) (the "Company Law") was promulgated by the SCNPC on December 29, 1993, implemented on July 1, 1994, and revised and implemented on October 26, 2018. It was last revised on December 29, 2023 and became effective on July 1, 2024. According to the Company Law, companies are generally divided into two categories, namely limited liability companies and joint stock limited companies. The Company Law shall also apply to joint stock limited companies with foreign investment.

The Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法) (the "Foreign Investment Law") was promulgated by the NPC on March 15, 2019 and became effective on January 1, 2020. The Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures, the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises and the Law of the People's Republic of China on Sino-Foreign Contractual Joint Ventures were abolished at the same time. Since then, the Foreign Investment Law has become the basic law regulating foreign-invested enterprises wholly or partially invested by foreign investors. The organization form, institutional framework and standard of conduct for foreign-invested enterprises shall be subject to the provisions of the Company

Law and other laws. China implements the management system of pre-entry national treatment and the negative list for foreign investment, and abolished the original approval and filing administration system for the establishment and change of foreign-invested enterprises. 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.

The Negative List refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the PRC. The PRC accords national treatment to foreign investment outside of the Negative List. The current negative list is the Special Management Measures for the Access of Foreign Investment (2024 Revision) (外商投資准入特別管理措施(負面清單)(2024年版)) (the "Negative List") issued by the National Development and Reform Commission of China (the "NDRC") and MOFCOM on September 6, 2024, effective on November 1, 2024, which lists the special management measures for foreign investment access for industries regulated by the Negative List, such as equity requirements and senior management requirements. In the current implementation of the Negative List, the Company's industry, industrial robot manufacturing, is not explicitly listed as a negative regulatory object.

While strengthening investment promotion and protection, the Foreign Investment Law further regulates foreign investment management and proposes the establishment of a foreign investment information reporting system that replaces the original foreign investment enterprise approval and filing system of MOFCOM. The foreign investment information reporting is subject to the Foreign Investment Information Reporting Method (外商投資信息報告辦法) jointly developed by MOFCOM and the SAMR, which came into effect on January 1, 2020. According to the Foreign Investment Information Reporting Method, foreign investors who directly or indirectly carry out investment activities in China shall submit investment information to the competent commercial department through the enterprise registration system and the National Enterprise Credit Information Publicity System. The reporting methods include initial reports, change reports, cancellation reports, and annual reports.

Laws and Regulations in Relation to Overseas Listing

On February 17, 2023, with the approval of the State Council, the CSRC issued relevant rules and regulations for the administration of overseas listing filings which took effect on March 31, 2023. There are six institutional rules issued this time, including the Overseas Listing Trial Measures and five supporting guidelines.

According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, shall file with the CSRC and submit relevant information within three business days after submitting the application documents for issuance and listing overseas.

The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following applies: (1) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (2) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (3) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (4) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (5) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

In addition, Chinese domestic enterprises seeking overseas listing shall strictly abide by the laws, administrative regulations and relevant provisions of the Chinese government on foreign investment, state-owned assets, industry supervision, overseas investment, etc., and shall not disturb the domestic market order, nor harm the national interests, public interests or the legitimate rights and interests of domestic investors.

The Overseas Listing Trial Measures also specify corresponding legal responsibilities, if a domestic enterprise violates its relevant provisions, the domestic enterprise may be ordered to correct, warned, fined, and other penalties, its controlling shareholders, actual controllers, directly responsible executives, and other directly responsible personnel may also be warned, fined, and other penalties.

Laws and Regulations in Relation to the H Share "Full Circulation"

The Company shall comply with regulations on the H share "full circulation" to converse its domestic shares into H shares and circulate on the Stock Exchange. Pursuant to the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (H股公司境內未上市股份申請「全流通」業務指引) (the "Full Circulation Guidelines") promulgated and implemented by the CSRC on November 14, 2019, and last revised and effective on August 10, 2023, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

According to the Full Circulation Guidelines, "Full Circulation" represents the shareholders of domestic unlisted shares of domestic companies (including the unlisted domestic shares held by domestic shareholders before overseas listing, the unlisted domestic shares issued in the territory after overseas listing and the unlisted shares held by foreign shareholders) are listed and circulated on the Stock Exchange. The shareholders of domestic unlisted shares shall authorize the domestic company to file the "Full Circulation" application with the CSRC by filing materials on key compliance issues, including whether the "Full Circulation" has fulfilled adequate internal decision-making procedures, necessary internal approvals and authorizations, and whether the "Full circulation" involves approval or filing procedures set out in the laws, regulations and policies for state-owned asset administration, industry supervision and foreign investment, and if so, whether such approval or filing procedures have been performed.

According to the Measures for Implementation of H-share "Full Circulation" Business (H股「全流通」業務實施細則) (the "Measures for Implementation"), promulgated by the China Securities Depository and Clearing Corporation Limited (the "CSDC") and the SZSE on December 31, 2019, the businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of participants, services of nominal holders, etc. in relation to the H-share "full circulation business," are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong)

Company Limited (the "CSDC (Hong Kong)"), and the SZSE. In order to fully promote the reform of H-shares "Full Circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, CSDC (Hong Kong) promulgated the Circular on Issuing the amendment and publication of the "Guidelines for the Full Circulation" of H-Shares of China Securities Depository and Clearing (Hong Kong) Company Limited on September 20, 2024, effective on September 23, 2024, which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. According to the Notes on the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (關於〈境內企業境外發行證券和上市管理試行辦法〉的說明), the new regulations aims to strengthening institutional inclusiveness and deepening opening-up, and lays out "full circulation" arrangements. For the overseas offering and listing by a domestic company, holders of its domestically-based domestic unlisted shares are allowed after filing to convert the shares into overseas listed shares to be circulated on overseas trading venues.

U.S. LAWS AND REGULATIONS

This section sets out a summary of certain aspects of laws and regulations of the U.S., which are relevant to the business and operations of our Group.

Laws and Regulations in relation to Product Liability and Consumer Protection

As a manufacturer and seller of robotics products, we may be liable for injuries and damages caused by our products under broad and consumer-friendly products liability laws if the products are proven to be defective. Each of the 50 states in the United States has different laws and judicial precedents that can vary significantly from one another. While circumstances and jurisdictions can differ in significant ways, the following provides a broad overview of the product liability law concepts that are generally followed in the majority of the states within the United States.

Product liability lawsuits may be brought against manufacturers by individual plaintiffs who have sustained injury, death, or property damage due to a defective product. In addition, lawsuits may be brought by groups of plaintiffs who have suffered similarly-situated claims relating to a defective product and who are certified by a court as a proper class of plaintiffs to act together to bring a class action suit in the United States. Manufacturers may also be subject to cross-claims or third-party claims for indemnity or contribution brought by other defendants in a product liability suit who may be upstream or downstream in the supply chain.

The types of product liability claims brought by plaintiffs generally fall into three broad categories: (1) design defect claims, which are based upon inherent flaws in the intended design or make-up of the product, (2) manufacturing defect claims, which are based on product flaws caused during the construction or production of the particular item that deviate from the intended design, and (3) failure to warn claims, which are based on inadequate product warnings or instructions, and whether inherent dangers could have been mitigated or avoided through adequate warnings to the user. Some states have also added an additional post-sale duty to warn of later discovered latent defects, designed to prevent future injuries involving the same product.

If a product liability claim is proven, the following types of damages, among others, may be recoverable by the plaintiff depending on the particular facts and the specific jurisdiction: (1) money damages for pain and suffering; (2) money damages for lost earnings or medical expenses; (3) long-term care expenses; (4) loss of financial support; (5) loss of consortium; (6) damage to property; and (7) punitive damages in the event the plaintiff can demonstrate reckless or intentional behavior on the part of the manufacturer. Punitive damages awards can be many times higher than the amount of compensatory damages and they are not awarded to compensate an injured party but rather to punish past and deter future misconduct. In some jurisdictions, plaintiffs may also be able to recover statutory damages and attorneys' fees if a state or U.S. federal statute permits such recovery. Usually, such statutes target specific goods or industries. The sources for these regulations are either state statutes or administrative regulations that place specific requirements on certain industries. Such requirements often take the form of labeling or licensing requirements and are usually enforced by public health or state safety agencies or by state attorneys-general. Civil and/or criminal penalties may be imposed for violations of the safety-driven consumer product regulations.

In addition to the state laws and regulations, some of our products are also governed by the federal Consumer Product Safety Act and its regulations, which are enforced by the U.S. Consumer Product Safety Commission (the "CPSC"). These safety oriented laws and regulations govern consumer products. The laws require affirmative reporting to the CPSC of consumer product defects that constitute substantive product hazards. Failure to timely report substantial product hazards can result in significant fines and penalties.

The CPSC also governs recalls of consumer products. Product recalls are normally implemented to remove or repair defective products in the market to help avoid injuries and limit product liability risk. The broad public notification issued for consumer product recalls can often provide a defense to product liability claims where plaintiffs were aware of but failed to participate in a recall.

The U.S. Magnuson-Moss Warranty-Federal Trade Commission Improvements Act ("Magnuson-Moss") addresses both written and implied warranties for consumer products. Magnuson-Moss authorizes the adoption of federal regulations concerning both written and implied warranties, governs disclosure and designation standards for written warranties, specifies standards for full warranties, and affords consumers with remedies for breach of warranty obligations and/or obligations under service contracts for consumer products. Consumer products sold in the United States are not required to have warranties, but any warranties provided by a manufacturer must comply with Magnuson-Moss. The statute governs the manner in which warranties must be communicated to consumers. In general, the terms and conditions of warranties must be conspicuously and fully disclosed, in simple and readily understood language, and any ambiguities are to be construed against the drafter of the warranty. The U.S. Federal Trade Commission has authority to enforce the requirements of Magnuson-Moss and regulations thereunder, and may seek an injunction to stop violations. Consumers may seek recourse for Magnuson-Moss violations in individual or class actions, and a prevailing consumer may recover the costs of suit (including attorneys' fees) in addition to damages.

Laws and Regulations in relation to Labor and Employment

The employment of individuals in the United States is governed by federal, state and sometimes local laws. Labor and employment laws can generally be categorized under the headings of (1) equal employment opportunity, (2) wage and hour, (3) medical/disability, (4) union rights, and (5) workplace safety. Typically, national laws set the minimum legal standard for employee rights, and state and local laws, if adopted, enhance those rights. Most employees in the United States are hired "at-will," meaning that their employment can be terminated at any time, with or without notice, cause, or government mandated severance pay. However, individual employment agreements between an employee and employer may vary this status, and even an at-will employee may not be terminated for an illegal reason (such as discrimination), nor may an employee be terminated or otherwise retaliated against for engaging in protected activity under the law. In addition, employers are required to maintain workplaces that are free of harassment based on protected characteristics such as sex, race, etc.

Employees who believe they have suffered discrimination, harassment, or other alleged wrongs may pursue claims against us through state and U.S. federal governmental agencies and the courts.

Laws and Regulations in relation to International Trade

Our cross-border operations include the importation of goods into the United States and the exportation of goods from the United States. As a result, our business requires compliance with tariffs and other import controls, anti-dumping rules and regulations, export controls, U.S. economic and other sanctions programs, and anti-bribery laws and regulations.

Importation of goods into the United States

Importation of goods into the customs territory of the United States is governed principally by the Tariff Act of 1930, as amended, the Customs Modernization Act of 1983, and the regulations of U.S. Customs and Border Protection ("CBP"). Under these laws and regulations, U.S. importers have primary legal responsibility for initially valuing, classifying, and determining the rate of duty applicable to imported merchandise. The importer is required to exercise "reasonable care" in entering merchandise into the United States. This includes when providing to CBP information and documentation necessary for it to assess duties on imported merchandise, collect accurate import statistics, and determine whether an import complies with applicable laws.

Civil penalties may be assessed against any person who uses false or misleading statements to enter goods into the United States. In determining the applicable penalty for such a wrongdoing, CBP first determines the applicable degree of culpability of the offending party. In general, higher penalties are assigned to more egregious offenses, which are classified according to degree of culpability as due to negligence, gross negligence, or fraud. CBP considers that a violation is a result of negligence "if it results from failure to exercise reasonable care and competence: (a) to ensure that statements made and information provided in connection with the importation of merchandise are complete and accurate; or (b) to perform any material act required by statute or regulation." Gross negligence and fraud are found in more egregious cases where circumstances indicate more than a lack of due care. Gross negligence is assigned where CBP finds a violation done "with actual knowledge of or wanton disregard for the relevant facts and with indifference to or disregard for the offender's obligations under the statute." Fraud is assigned where the act was "committed (or omitted) knowingly, i.e. was done voluntarily and intentionally, as established by clear and convincing evidence." Where false statements affect the assessment of duties on imports, the statutory maximum civil monetary penalties vary depending on whether the violation is due to fraud, negligence, or gross negligence.

Anti-dumping laws and regulations

U.S. federal anti-dumping laws and regulations prohibit unfair global competition by prohibiting non-U.S. entities from selling products in the U.S. for unreasonably low prices. The usual test is whether the goods are being sold in the U.S. for less than they are sold for in the home market. If a company is found to be violating anti-dumping regulations, U.S. customs can impose additional duties on the imported goods.

Tariffs

The United States imposes a variety of tariffs on imported goods. While the U.S. Constitution grants Congress the authority to impose tariffs, several statutes have shifted that authority to the President under certain circumstances. Within the United States, agencies involved in international trade regulation include the CBP, the U.S. International Trade Commission ("ITC"), and the Office of the U.S. Trade Representative ("USTR"). CBP is responsible for collecting tariffs on goods imported to the United States during the customs clearance process. The ITC is a quasi-judicial agency that administers U.S. laws governing trade remedies and provides analysis, information, and other support concerning tariffs and other international trade matters for the President, U.S. Congress, and the USTR. The ITC also investigates alleged violations of U.S. trade law, including unfair trade practices under Section 337 of the Tariff Act of 1930, illegal foreign financial subsidies, and violations, and Section 201 of the Trade Act of 1974 (imports of goods into the U.S. at an increased quantity that is a substantial cause of serious injury to a U.S. domestic industry). The USTR is a cabinet-level position within the office of the President of the United States, and serves as the President's principal adviser, negotiator, and spokesperson regarding matters of international trade.

The USTR is authorized to take certain action under Section 301 of the Trade Act of 1974 ("Section 301"), including without limitation the imposition of tariffs or other restrictions on imports, if it determines after investigation that a foreign government has engaged in unfair trade practices. In 2018, following a USTR investigation and report, the United States imposed tariffs on certain imported goods of Chinese origin. Section 301 tariffs are assessed and collected in addition to any other duties that may apply (including, without limitation, anti-dumping duties). Both the United States and China have brought claims against one another before the World Trade Organization in connection with this trade dispute.

For details of certain export controls, U.S. economic and other sanctions programs that are relevant to our international and cross-border operations, please refer to the sections headed "Regulatory Overview—U.S. Sanctions Regimes—Economic Sanction" and "Regulatory Overview—U.S. Sanctions Regimes—Export Control Regulations" in this document.

Laws and Regulations in relation to Tax

Federal government

The U.S. federal government can levy a variety of taxes on U.S. businesses, non-U.S. businesses engaging in certain activities in the United States, and business owners and their employees. Our business activities in the U.S. require us to pay U.S. federal income tax, taxes on the sale of certain assets, income tax on dividends, distributions, and interest, sales and other transfer taxes, employee payroll taxes, withholding obligations, and other taxes.

State and local governments

In addition to the federal government, the 50 U.S. states and their political subdivisions play an important role in taxing and regulating business activity within their respective jurisdictions. For example, our business activities within a U.S. state may be subject to the state's business and personal income tax, payroll tax, sales tax, real and personal property tax, franchise tax, withholding obligations, and other taxes. In addition, some local governments, such as counties and cities, may impose their own similar taxes.

Laws and Regulations in relation to Registration and Regulation

Corporations in the United States are registered and organized in one of the 50 states. In addition to its legal formation in a particular state, a corporation that does business in more than one state may need to qualify or register to do business in other states if the corporation's activities establish "minimum contacts" for tax purposes in those states. Individual state laws apply to business transactions occurring in each state, unless such laws conflict with, or are superseded by, U.S. federal law, which takes precedence over state and local law. For this reason, U.S. businesses frequently must comply with separate federal, state and local regulations.

JAPAN LAWS AND REGULATIONS

This section sets out a summary of certain aspects of laws and regulations of Japan, which are relevant to the business and operations of our Group.

Laws and Regulations in relation to Product Liability and Consumer Protection

Pursuant to the Product Liability Act of Japan (Act No. 85 of 1994), in the case where a defect in a product causes damage to the life, body, or property of others, "the manufacturer, etc." is liable for such damage. If such product is imported, the importer is included in definition of "manufacturer, etc."

Laws and Regulations in relation to Labor and Employment

In Japan, there are various labor-related laws, such as the Labor Standards Act of Japan (Act No. 49 of 1947), the Industrial Safety and Health Act of Japan (Act No. 57 of 1972), and the Labor Contract Act of Japan (Act No. 128 of 2007). The Labor Standards Act of Japan stipulates the minimum standards for working conditions, such as working hours, vacation periods, and vacation days. The Occupational Safety and Health Act of Japan mandates the implementation of measures to ensure worker safety and for the protection of workers' health in the workplace. The Labor Contract Act of Japan provides for changes in employment contracts and rules, dismissal, and disciplinary action.

Laws and Regulations in relation to International Trade/Cross-border Trade

Under the Customs Act of Japan (Act No. 61 of 1954), in the case where an importer is accepting goods arriving in Japan from a foreign country, an import declaration shall be filed with Japan Customs in principle and customs duties, if any, shall be paid. When an import declaration is made, Japan Customs shall inspect the goods as necessary, and after confirming that the importer has paid the corresponding customs duties, permit the importation of the goods.

If goods require a permit upon importation under laws and regulations other than the Customs Act of Japan, it would be necessary for an importer to obtain a permit prior to filing the import declaration. However, industrial robots do not require special permission for importation.

Laws and Regulations in relation to Tax

Japanese companies are obliged to pay corporate tax. Corporate tax is broken down into two parts: one part is levied based on the annual income of the previous year, and the other part is levied uniformly regardless of the annual income. Corporate tax rates and amounts vary depending on a company's income and size (capital and number of employees), ranging from 15% to 23.2%.

GERMANY LAWS AND REGULATIONS

This section sets out a summary of certain aspects of laws and regulations of Germany, which are relevant to the business and operations of our Group.

Product Liability and Consumer Protection

Manufacturer and seller of robotics products who bring their products into the German market must ensure their products designed, manufactured and provided with appropriate user information so that any hazardous situation in the course of product use can be avoided. The most important legal framework relating to product safety and compliance are the German Product Safety Act (the "ProdSG") and German Product Liability Act (the "ProdHaftG"). Other than that, a product could be subject to further legal requirements imposing formal requirements on the economic operators.

The ProdSG stipulates that a product may only be introduced onto the market if it does not jeopardize the safety and the health of persons if used in a regular and foreseeable way. Insofar as a product is subject to one or more legal regulations under the ProdSG, it may only be made available on the market if it additionally meets the requirements provided for therein. Under the ProdSG, the assessment whether a product is secure is based in particular on the characteristics of the product, on the impact of the product on other products, on the product-related information (presentation, marking, warnings and instructions for use and operation, etc.) as well as on the group of users of the product (consumer or particularly endangered user groups). The ProdSG establishes uniform federal safety standards for products by prescribing regulations on the safety requirements of consumer products. The manufacturer's labelling according to the ProdSG provides, among other things, for the indication of the manufacturer's data on consumer products. This is to enable traceability as well as identification in case of e.g. consumer warnings or product recalls. The manufacturer, his authorized representative and the importer must affix a clear identification mark on the consumer product. The marking, in conjunction with the manufacturer's data, must ensure the identification of a product, e.g. in the event of a recall. The responsible persons must also ensure that the user is informed about risks associated with the consumer product during its period of use (e.g. instructions for use).

Under the ProdSG, a manufacturer is anyone who manufactures, remanufactures or significantly modifies a product. He does not have to manufacture the product himself, but can also place it on the market under his name or trademark (as a so-called quasi-manufacturer). The authorized representative is established in the European Economic Area and is commissioned in writing by the manufacturer to fulfil the manufacturer's obligations on his behalf; he is the contact person for the authorities. The importer and the distributor are also subject to the ProdSG.

According to the ProdHaftG, either the seller or the producer, or both jointly, can be held liable if the products turn out to be defective. The harmed person may raise claims arising from product liability, producer liability, and warranty for defects. In the event a product has caused damage to persons or items (other than the defective product), the producer is strictly liable pursuant to the ProdHaftG. Liability under the ProdHaftG can neither be restricted nor excluded in advance. The ProdHaftG applies, if the harmed person has its habitual residence in Germany and the defective product was placed on the German market or if the defective product was bought in Germany and was placed on the German market or if the harm arose in Germany and the defective product was placed on the German market. It is sufficient that the producer could reasonably foresee that a product might be placed on the German market by another market participant, e.g. one of its customers, to be liable under the ProdHaftG. Thus, it is not necessary that the defective product was imported to Germany by the producer. Comparable regulations also apply in the other member States of the E.U.

Labor and Employment Laws

In Germany, the employment law is not completely codified. Basically, the employment relationships are governed by German Civil Code with employment specifications. Rather, the German employment law is to the extent that is governed by written legal norms and different specific laws with regard to termination protection, working hours, minimum wages, employee protects and etc. also governed and formed by judicial cases and development. It should also be noted that the employment disputes are jurisdiction of a specific court, namely the labor court.

The most important specific laws regarding the German employment relationships are, among others, the following:

German Protection Against Unfair Dismissal Act (the "KSchG")

An employer's ability to (unilaterally) terminate an employment relationship is substantially restricted by the KSchG. The KSchG is applicable if the operation has more than 10 employees and the employee to be dismissed has been employed for more than 6 months. Under the KSchG, an ordinary dismissal (i.e. with notice) will only be effective if based on one of the three reasons for termination explicitly permitted by the KSchG. These are conduct-related dismissal, dismissal for reasons connected with the individual employee and dismissal for operational reasons.

Federal Vacation Act (the "BUrlG")

The BUrlG sets forth the rules regarding the minimum vacation entitlement of employees, the granting of vacation as well as the expiry of the vacation entitlement.

German Part-Time and Limited Term Employment Act (the "TzBfG")

The TzBfG sets forth rules to promote part-time work, to define the requirements for the permissibility of employment agreements for limited terms and to prevent discrimination against part-time and limited term employees.

German Works Constitution Act (the "BetrVG")

The BetrVG stipulates employee codetermination within an establishment. The most important codetermining body under the BetrVG is the works council, an elected employee representative body which has rights of its own vis-a-vis the employer. It exercises most of the codetermination rights governed by the BetrVG.

German Collective Bargaining Agreements Act (the "TVG")

The TVG regulates the right to and content of collective bargaining agreements. Collective bargaining agreement, inter alia, set forth a minimum standard for working conditions, such as remuneration, working hours and holiday entitlement.

Regulations on the Importation and Distribution of the Company's Products in Germany

In accordance with Foreign Trade and Payment Act, as part of import clearance, checks will be made to ensure that all legal provisions regulating the import of the goods in question have been observed. There are a large number of regulations governing imports into the European Union and to Germany. Besides customs regulations and foreign trade regulations, attention must also be paid to prohibitions and restrictions, most of which serve non-commercial interests such as protecting human health interests or environmental protection.

In Germany, in accordance with German Foreign Trade and Payment Act, in principle, goods, services, capital, payments and other business transactions with foreign countries as well as foreign assets and gold within member countries (external trade transactions) may be transported freely. Import restrictions are dictated by European Community Law and the German Foreign Trade Ordinance from August 2, 2013. In principle, quantitative restrictions on imports are no longer imposed. However, for particular goods originating from particular countries, import permits are needed, and quantitative restrictions can on occasion be imposed. Approval must be obtained from the Federal Office of Economics and Export Control (for commercial products).

Tax Laws

The German tax system comprises two basic categories, namely direct and indirect taxes. For direct taxes, the taxable entities bear the ultimate tax burden, e.g. income tax, corporation tax and trade tax. For indirect taxes, the tax debtor transfers the tax burden to another party.

Direct tax

The taxation of German companies depends on the entity's legal form. Corporations are treated as nontransparent for tax purposes, i.e. that the taxable profit is subject to taxation at the level of the corporation itself. Profits of corporations are subject to corporation tax (Körperschaftssteuergesetz, KStG), solidarity surcharge and trade tax (Gewerbesteuergesetz, GewStG). Partnerships are treated as transparent for tax purposes, i.e. that the taxable profit will be allocated to the partners and depending on the legal form of the partner is subject to income tax or corporation tax at the level of the partner. If the partnership has a commercial business, the partnership must pay trade tax.

Corporation Tax Act (KStG)

Corporation tax is the income tax for corporations such as a liability limited company (Gesellschaft mit beschränkter Haftung, GmbH) or a stock corporation (Aktiengesellschaft. AG). The basis of taxation is the income earned during the calendar year. Corporation tax is levied at the rate of 15% on the taxable profits. An additional solidarity surcharge of 5.5% of the tax amount is levied on corporation tax so that the total tax rate (corporate tax and solidarity surcharge) currently amounts to 15.825%. Partnerships are treat as transparent entities for tax purpose and subject to income tax (Einkommensteuergesetz, EStG).

Trade Tax Act (GewStG)

All commercial businesses, including partnerships, that operate in Germany are liable for trade tax. Businesses are deemed to operate in Germany if they have a permanent establishment, i.e. a place of business, in the country. The activities of a corporation such as a GmbH are always deemed commercial business operations. Trade tax is collected by the relevant local authority who also determines its rate of tax. Therefore, the rates differ in accordance with the city in which the business is located. Current effective rates range from around 14% to 18% of business income, whereby smaller towns are on the lower, larger towns on the higher end.

Indirect tax

The most important indirect tax is the value added tax (the "VAT").

Value Added Tax Act (UStG)

Principally, VAT is chargeable on all public and private consumption (i.e. goods and service purchased by final consumers). The main tax rates under the VAT Act are 19%, the general rate and 7%, the reduced rate. The tax base is the consideration for the goods or services provided. If certain requirements are met, goods are exempt from VAT if they are delivered to another E.U. Member State (intra-Community deliveries of goods), as are goods delivered to a non-E.U. country (export deliveries). Also exempt are certain activities as medical treatments and the granting and brokering of loans. Land rentals are also exempt from value-added tax, although in some cases one may opt to be subject to VAT.

Customs Law

In principal, Germany's Constitution grants exclusive authority to legislate customs duties to domestic federal competence. The core regulation is the Customs Administration Act and the Customs Regulation. However, as a member of the E.U., Germany has transferred this authority to the European Union to a vast extent. The legal foundation for the levying of customs duties arises on the one hand from Community customs law, in particular the Union Customs Code.

The responsibility for legislative measures and the entitlement to this revenue lies with the federal government. Customs duties (import or export duties) are therefore administered by the Federal Finance Administration. As a result of developments in Community customs law, legislative and revenue competence has been transferred almost entirely to the European Union as the legal successor to the European Community.

INTERNATIONAL SANCTIONS LAWS AND REGULATIONS

Set out below is a summary of the sanctions regimes imposed by the U.N., the U.S., the E.U., the U.K. and Australia. This summary has not and is not intended to set out all relevant laws and regulations relating to the sanctions regimes of the U.N., the U.S., the E.U., the U.K. and Australia in their entirety.

U.N. Sanctions Regimes

The United Nations Security Council (the "UNSC") can take action to maintain or restore international peace and security under chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of any armed force.

The UNSC sanctions may take a number of different forms, in pursuit of a variety of different goals. The measures have ranged from comprehensive economic and trade sanctions to targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful settlement of conflicts, counter-terrorism, protect human rights, promote non-proliferation and deter non-constitutional changes. There are a number of ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are 10 monitoring groups, teams and panels that support the work of the sanctions committees.

U.N. sanctions are imposed by the UNSC, usually acting under chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the U.N. and override other obligations of U.N. member states, but are not enforceable against private parties, and, therefore, U.N. member states are required to implement the relevant U.N. sanctions. Each U.N. member states shall determine how the sanctions imposed by the UNSC are implemented and enforced against private parties under its own domestic laws.

U.S. Sanctions Regimes

Economic sanction

The United States Department of Treasury's Office of Foreign Assets Control ("OFAC") is the primary agency responsible for administering U.S. sanctions programmes against countries, entities and individuals targeted by the U.S.

"Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against for example Iran, Venezuela and Russia also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. nationals or permanent resident aliens ("green card" holders), regardless of their location in the world; individuals physically present in the U.S.; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or the parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (or freeze) any assets or property interests owned, controlled or held for the benefit of a country, entity, or individual subject to comprehensive sanctions when such assets or property interests are in the U.S. or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset or property interest, no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts or agreements), except pursuant to a license or an authorization from OFAC.

OFAC's sanctions programmes currently apply to Afghanistan, Balkans, Belarus, Burma, Central African Republic, Cuba, Democratic Republic of the Congo, Ethiopia, Hong Kong, Iran, Lebanon, Libya, Mali, Nicaragua, North Korea, the PRC, Somalia, South Sudan, Sudan and Darfur, Syria, the Crimea region and the Luhansk People's Republic and Donetsk People's Republic regions of Ukraine, Venezuela, West Bank and Yemen, amongst other specialist sanctions programmes targeting particular sectors or regions. In addition, OFAC prohibits virtually all business dealings with persons and entities identified in the Specially Designated Nationals And Blocked Persons List (the "SDN List") maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealings with U.S. persons. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the U.S.

Export control regulations

The Export Administration Regulations (the "EAR"), administered by the U.S. Department of Commerce, Bureau of Industry and Security ("BIS"), govern the export and re-export of items "subject to the EAR."

Currently, "items subject to the EAR" generally include all U.S.-origin commodities, software and technology. In limited circumstances, services are also covered. More specifically, items "subject to the EAR" include (1) all items in the U.S. (except publicly available technology and software); (2) all U.S.-origin items located outside the U.S.; (3) certain foreign-made items that include more than de minimis amounts of controlled U.S. content; and (4) foreign-made national security items that are the direct product of U.S.-origin national security technology or software.

BIS through the EAR maintains, amongst others, a list of names of certain foreign persons, including businesses, research institutions, government and private organizations, individuals and other types of legal persons (the "Entity List"). The Entity List initially arose as a list setting forth foreign persons known to be involved in proliferation activities and the development of weapons of mass destruction or missiles. Since its initial publication, grounds for inclusion on the Entity List have expanded to activities sanctioned by the U.S. State Department and activities contrary to U.S. national security or other foreign policy interests. Any transaction undertaken or effected of an item subject to the EAR to an entity on the Entity List requires a license. This restriction also includes engaging in transactions where the seller knows or has reason to know that the products to be transferred (or re-transferred or re-exported) are destined for a prohibited end-use.

Further, BIS has a license review policy establishing a presumption that any license application for a transfer, export or re-export to an entity on the Entity List be denied, as such, the BIS will only approve a license in exceptional circumstances where it can be established that the granting of the license will not harm or impair U.S. national security.

Pursuant to the EAR, an item may be exempted from being subject to the EAR if it fulfils certain criteria, such as where it is a foreign made item, which contains not more than 25% U.S. origin content by value (the "De Minimis Rule"). Such 25% U.S. origin content by value generally refers to foreign made products which (1) incorporate U.S. origin parts or components into the finished product and those parts or components would themselves require a specific license if they were exported separately and (2) the fair market value of those parts or components as a percentage of the total value of the finished product exceeds 25%. In order for an entity to avail itself under the De Minimis Rule, pursuant to part 734.4(d)(3) and Supplement No. 2 to part 734 of the EAR, it must file a one-time report in respect of each product to enable the U.S. Government to evaluate whether U.S. content calculations were performed correctly. The report must contain a description of the scope and nature of the foreign technology, a description of its fair market value, along with the rationale and basis for the valuation. Where the BIS has not contacted the entity within 30 days after the filing of the report, the entity is entitled to rely upon the calculations unless and until BIS contacts them otherwise.

E.U. Sanctions Regimes

The E.U. implements all sanctions adopted by the UNSC and strengthens U.N. sanctions through additional measures and/or sanctions on its own initiative. The E.U. does not generally ban dealing with a counterparty in or with a jurisdiction targeted by sanctions measures, provided that the counterparty is not a person or an entity listed on OFAC's SDN List or other restricted parties lists maintained by the U.N., U.S., E.U., U.K. or Australia or not engaged in prohibited activities, such as, directly or indirectly, exporting, selling, transferring or making certain controlled or restricted products available to, or for use in a jurisdiction subject to sanctions measures.

All E.U. sanctions apply: (1) within the E.U. (including its airspace); (2) on board any aircraft or vessel under the jurisdiction of any E.U. Member State; (3) to any E.U. nationals, regardless of their residency or location; (4) to any legal person, entity or body incorporated or constituted under the laws of any E.U. Member State; and (5) to any legal person, entity or body in respect of any business done in the E.U. E.U. sanctions are directly applicable in any E.U. Member State without national legislation. However, penalties for breaches of E.U. sanctions depend on national legislation in each E.U. Member State.

U.K. and U.K. overseas territories

While the U.K. is no longer an E.U. Member State, E.U. legislation as applied to the U.K. prior to December 31, 2020 has been retained as laws of the U.K. in a form of domestic legislation known as "retained E.U. legislation." The U.K. applies its autonomous sanctions regime to: (1) its territory and territory waters; (2) all U.K. nationals regardless of their location; (3) all individuals and legal entities within the U.K.'s territory or undertake activities within the same; and (4) all U.K. legal entities established under U.K. law including their non-U.K. branches (but excluding separately incorporated non-U.K. subsidiaries), regardless of the location of their activities.

The Office of Financial Sanctions Implementation maintains two lists of persons subject to financial sanctions and imposes financial penalties on a breaching party. The "consolidated list" includes all designated persons subject to E.U. financial sanctions (including U.N. sanctions implemented through E.U. regulations) and U.K. financial sanctions. A separate list includes entities subject to certain capital market restrictions.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services.