This section sets out a summary of the laws and regulations in the PRC and HK, which are relevant to our operation and business. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to us.

PRC LAWS AND REGULATIONS

I. The PRC Laws and Regulations Relating to Foreign Investment

1. The Establishment, Operation and Management of Foreign-invested Enterprises

Pursuant to the Company Law of the PRC (《中華人民共和國公司法》) (hereinafter referred to as the PRC Company Law), which became effective on 1 July 1994 and was last amended on 29 December 2023 and the latest amendments will become effective on 1 July 2024, the PRC Company Law stipulates provisions on the establishment, corporate structure and management of companies, and shall apply to foreign-invested companies in the forms of limited liability company and limited companies by shares.

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (hereinafter referred to as the Foreign Investment Law), which became effective from 1 January 2020, such law is applicable to foreign investment in the PRC. Foreign investment activities are granted with the pre-establishment national treatment and shall follow the negative list management system. Foreign investors shall follow the same principle as domestic investors in order to invest in areas that are not on the Negative List. The organization form and structure and operating rules of foreign-invested enterprises are subject to the provisions of the PRC Company Law and other applicable laws. With the implementation of the Foreign Investment Law, the Law of the PRC on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》), and the Law of the PRC on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) have been repealed simultaneously. Foreign-invested enterprises that have been established before the implementation of the Foreign Investment Law in accordance with the Law of the PRC on Sino-Foreign Equity Joint Ventures, the Law of the PRC on Wholly Foreign-owned Enterprises, and the Law of the PRC on Sino-Foreign Contractual Joint Ventures may continue retaining their original forms of business organizations within five years after the implementation of the Foreign Investment Law.

Pursuant to the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which became effective from 1 January 2020, foreign investment enterprises established in accordance with the Law of the PRC on Sino-Foreign Equity Joint Ventures, the Law of the PRC on Wholly Foreign-owned Enterprises, and the Law of the PRC on Sino-Foreign Contractual Joint Ventures prior to implementation of the Foreign Investment Law may, within the five-year period following the implementation of the Foreign Investment Law, adjust their organization form, organization structure pursuant to the provisions of the PRC Company Law and related laws, and complete change registration in accordance with the law, or may continue to retain their original enterprise organization form or organization structure. After an existing

foreign-invested enterprise's adjustment of, among others, organizational form, organizational structure pursuant to legal procedures, measures for shareholding or equity transfer, earning distribution and residual property distribution, etc. as stipulated in the relevant contract by the parties concerned to the original equity or cooperative joint venture may continue to survive as stipulated. Foreign Investment Law and the provisions of such regulations are applicable to the investment within the PRC by foreign investment enterprises. Investment in the Mainland of China, including the Hong Kong Special Administrative Region and the Special Administrative Region of Macao by investors shall comply with the Foreign Investment Law and the provisions of such regulations.

Pursuant to the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (hereinafter referred to as the Measures on Reporting), which became effective from 1 January 2020, where a foreign investor carries out investment activities in the PRC directly or indirectly, the foreign investor or the foreign investment enterprise shall submit the investment information to the competent commerce department. Foreign investors or foreign-invested enterprises shall submit the investment information by presenting the initial report, the change report, the cancellation report and the annual report in accordance with the Measures on Reporting. Foreign-invested enterprises shall submit their annual report through the National Enterprise Credit Information Publicity System from 1 January to 30 June of each year.

2. The Direction of Foreign Investment

Pursuant to the Regulation on Guiding the direction of Foreign Investment (《指導外商投資方向規定》), which became effective from 1 April 2002, foreign investment projects are divided into four categories, namely encouraged, permitted, restricted and prohibited. The Catalogue of Industries for the Guidance of Foreign Investment (《外商投資產業指導目錄》), which became effective from 28 June 1995 and revised from time to time and partially abolished by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2018) (《外商投資准入特別管理措施 (負面清單) (2018年版)》 and the Catalog of Industries for Encouraged Foreign Investment (2019) (《鼓勵外商投資產業目錄(2019年版)》), covers the encouraged catalogue, the restricted catalogue and the prohibited catalogue, and it does not cover the permitted category. The provision is applicable to the investment and establishment of Chinese-foreign equity joint ventures, Chinese-foreign cooperative joint ventures and wholly foreign-owned enterprises in the PRC and other forms of foreign investment projects. Investment projects carried out by investors from the Hong Kong Special Administrative Region are also subject to this provision.

Pursuant to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施 (負面清單) (2021年版)》) (hereinafter referred to as the Negative List for the Access of Foreign Investment), which became effective from 1 January 2022, the documents uniformly set forth the ownership requirements, requirements for senior executives, and other special administrative measures for the access of foreign investment. Fields not listed on the Negative List for the Access

of Foreign Investment shall be administered under the principle of equal treatment to both domestic and foreign investment. Fields related to culture and finance, as well as relevant measures on administrative approvals, qualifications and national security not being on the Negative List for the Access of Foreign Investment shall be implemented in accordance with existing requirements.

Pursuant to the Interim Provisions on Investment in the PRC by Foreign Investment Enterprises (《關於外商投資企業境內投資的暫行規定》), which became effective on 1 September 2000 and was amended on 28 October 2015, the Regulation on Guiding the direction of Foreign Investment (《指導外商投資方向規定》) and the Catalogue of Industries for the Guidance of Foreign Investment (《外商投資產業指導目錄》) shall apply, in reference, to investment in the PRC by foreign investment enterprises. Foreign investment enterprises must not invest in fields in which foreign investment is prohibited.

3. Merger and Acquisition of Domestic Enterprise by Foreign Investors and Overseas Listing

Pursuant to the requirements of the Provisions Relating to Merger and Acquisition of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》), which became effective from September 8, 2006 and was last amended on 22 June 2009, where a domestic company, enterprise or natural person mergers with the related domestic company in the name of an offshore company which it or he/she lawfully (1) established; (2) controls; (3) a foreign investor mergers with; or (4) acquires a domestic company by way of shareholdings, the merger and acquisition shall be subject to the examination and approval by the Ministry of Commerce of the PRC. Overseas listing and trading of special purpose vehicle shall be subject to the approval by the securities regulatory and management authority of the State Council. In particular, the merger and acquisition of domestic enterprises by foreign investors means that (1) the foreign investor purchases the equity of the shareholders of a domestic company or subscribes to the increased capital of a domestic company, and thus changes the domestic company into a foreign-invested enterprise; and (2) a foreign investor establishes a foreign-invested enterprise, and purchases the assets of a domestic company through agreement and operates its assets, or a foreign investor purchases the assets of a domestic company through agreement, and then invests such assets to establish a foreign-invested enterprise and operates the assets.

II. The PRC Laws and Regulations Relating to Taxation of an Enterprise

1. Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which became effective from 1 January 1994 and was last amended on 19 November 2017, and the By-law on the Implementation of the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which became effective from 25 December 1993 and was last amended on 28 October 2011, the enterprises or individuals engaging in the sale of goods or provision of processing,

repairs and replacement services, sale of services, intangible assets, real estates and importation of goods in the PRC are required to pay the value-added tax for the goods sold and services offered at the rate of 0%, 6%, 11% and 17%, unless otherwise prescribed.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation regarding the Pilot Program on Comprehensive Implementation of the Reform from Business Tax to Value Added Tax (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》), which became effective from 14 May 2016 and certain terms of which were abolished since 1 July 2017, 1 January 2018 and 1 April 2019, the enterprises or individuals engaging in the sale of services, intangible assets or real estates in the PRC are the taxpayers of the value-added tax and thus shall pay the value-added tax, instead of the business tax as required by the circular. According to the Administrative Measures of Tax Refund (Exemption) of Exported Goods (Trial) (《出口貨物退(免)税管理辦法(試行)》), which became effective from 1 May 2005 and was last amended on 15 June 2018, unless otherwise prescribed, upon declaration of export and financial accounting for sale, the value-added tax in relation to the goods exported by export agents can be refunded or exempted upon approval by the competent tax authority.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、税務總局關於調整增值税税率的通知》), which became effective from 1 May 2018, the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

Pursuant to the Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、税務總局、海關總署關於深化增值税改革有關政策的公告》), which became effective from 1 April 2019, the tax rate of 16% applicable to the VAT taxable sale or import of goods by a general VAT taxpayer shall be adjusted to 13% and the tax rate of 10% applicable thereto shall be adjusted to 9%.

2. Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), which became effective from 1 January 2008 and was last amended on 29 December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》), which became effective from 1 January 2008 and was last amended on 23 April 2019, enterprises and other organizations that derive incomes in the PRC are the taxpayers of the enterprise income tax and are required to pay the enterprise income tax according to such laws and regulations. An enterprise that is established in the PRC under the PRC law, or which is established under the law of a foreign country (region) but whose actual management entity is in the PRC is a resident enterprise; an enterprise established under the law of a foreign country (region) and the actual management entity of which is not in the PRC but has institutions or establishments in the PRC or which does not have any institutions or establishments in the

PRC but has income sources from the PRC is a non-resident enterprise. A resident enterprise shall pay the enterprise income tax at the rate of 25%. A non-resident enterprise having institutions or establishments in the PRC shall pay enterprise income tax at the rate of 25% on its incomes sourced from the PRC derived from the said institutions or establishments as well as on incomes derived from the outside of the PRC but which has real connection with the said institutions, establishments. A non-resident enterprise having no institution or establishment in the PRC, or having institutions or establishments but the incomes of which have no actual connection to its institutions or establishments shall pay enterprise income tax on the incomes derived from the PRC at the reduced rate of 10%. Those high-tech enterprises which are necessary to be supported by the state are entitled to a reduced tax rate of 15% for enterprise income tax. For R&D expenditures incurred by enterprises in the development of new technology, new products and new skills, if these expenditures have not reflected in the comprehensive income statement as intangible assets, they are allowed to make a super-deduction of 50% of the R&D expense on an actual deduction basis; if these expenditures have been reflected as intangible assets, they are allowed to make amortization of 150% of the cost of intangible assets.

3. Withholding Tax on Dividend Distributions

According to the Enterprise Income Tax Law of the PRC and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC, a withholding tax rate of 10% will generally be imposed on dividends paid to non-PRC resident investors. The enterprise income tax rate on the dividends may be reduced pursuant to a treaty between the Mainland of China and the tax jurisdictions in which non-PRC investors reside. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which came into effect from 1 January 2007 in the Mainland of China and was last amended by the Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), which became effective from 6 December 2019, the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is 5% in case the Hong Kong enterprise is the beneficial owner and holds at least 25% of equity interests of the PRC enterprise directly. According to the Notice of the State Administration of Taxation on Issues Concerning the Implementation of the Dividend Clauses of Tax Agreement (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》), which became effective from 20 February 2009, the proportion of capital of the PRC resident enterprise owned by the tax resident of the other side shall, at any time within the successive 12 months before obtaining dividends, comply with the specific proportion required by the tax agreement.

4. Urban Maintenance and Construction Tax

Pursuant to the Law of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設税法》), which became effective on 1 September 2021, all entities and individuals paying value-added tax or consumption tax within the territory of the PRC are taxpayers of urban maintenance and construction tax, and shall pay urban maintenance and construction tax. Urban maintenance and construction tax shall be calculated based on the amount of value-added tax or consumption tax actually paid by taxpayers. The obligation to pay urban maintenance and construction tax occurs at the same time as the obligation to pay value-added tax or consumption tax occurs, and urban maintenance and construction tax shall be paid at the time when value-added tax or consumption tax is paid.

5. Educational Surcharges

Pursuant to Interim Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》), which became effective on 1 July 1986 and was last amended on 8 January 2011, entities and individuals obliged to pay consumption tax and value-added tax shall pay educational surcharges. Educational surcharges shall be collected on the basis of the amount of value-added tax or consumption tax actually paid by entities and individuals, collected at the rate of 3%, and paid simultaneously with value-added tax or consumption tax.

6. Transfer Pricing

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》), Tax Collection Administration Law of the PRC (《中華人民共和國税收徵收管理法》) and Rules for the Implementation of Tax Collection Administration Law of the PRC (《中華人民共和國税收徵收管理法實施細則》), the receipt or payment of charges or fees in business transactions between an enterprise (or institution or site engaged in production or business operations) established in the PRC by a foreign enterprise and its associated enterprises, shall be made at arm's length prices. Where the receipt or payment of charges or fees is not made at arm's length prices and results in a reduction of the taxable income, the tax authorities shall have the right to make reasonable adjustments.

Pursuant to Announcement on Issuing the Measures for the Administration of Adjustments under Special Tax Investigation and Mutual Consultation Procedures (《關於發佈〈特別納税調查調整及相互協商程序管理辦法〉的公告》), which was issued by the State Taxation Administration on March 17, 2017 and became effective on May 1, 2017, where a tax authority finds, when conducting special tax adjustment monitoring and administration by affiliated tax declaration examination, contemporaneous documentation administration, profit level monitoring or other means, that any enterprise has a risk of special tax adjustments, it may serve a Notice on Tax-related Matters upon the enterprise, and remind the enterprise of the tax risk it faces. If an enterprise receives a risk alert for special tax

adjustments or finds that it faces the risk of special tax adjustments, it may make adjustments and make up the taxes due by itself. In the event that the tax authority determines to implement the special tax adjustment after investigations, the relevant enterprise may be required to pay up the relevant tax.

III. The PRC Laws and Regulations Relating to Labor Protection and Social Insurance and Housing Provident Funds

1. Labor Protection

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which became effective from 1 January 1995 and was last amended on 29 December 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which became effective from 1 January 2008 and was last amended on 28 December 2012, and the Regulation on the Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which became effective from 18 September 2008, employers shall establish and perfect regulations and systems in accordance with laws and ensure that the employees shall have the labor rights and perform their labor obligations. An employment relationship is established between an employer and employees when the employee starts to work for the employer and a written labor contract shall be entered into within one month from the date when the employee commences work if an employment relationship has been established. A labor contract shall include essential terms, such as the duration of the labor contract, work content and workplace, working hours and holiday, work remuneration, social insurance, labor protection and labor terms as well as prevention of occupational hazards. Employers and the employees shall follow the agreement of the labor contract and fulfill their respective obligations comprehensively.

2. Social Insurance

Pursuant to the Social Security Law of the PRC (《中華人民共和國社會保險法》), which became effective from 1 July 2011 and was last amended on 29 December 2018, the Interim Regulations on the Collection and Payment of Social Insurance Fees (《社會保險費徵繳暫行條例》), which became effective from 22 January 1999 and was last amended on 24 March 2019, the Trial Measures concerning the Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), which became effective from 1 January 1995, the Regulations on Unemployment Insurance (《失業保險條例》), which became effective from 22 January 1999, and Regulations on the Work-related Injury Insurance (《工傷保險條例》), which became effective from 1 January 2004 and was last amended on 20 December 2010, the state established social insurance systems, such as the basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, to guarantee the rights of citizens to legally obtain material assistance from the state and society when they become old, ill, suffer from work-related injuries, become unemployed and give birth to a child. Employers shall pay various types of social insurance fund for its employees, including basic endowment insurance, basic medical insurance, maternity insurance, unemployment insurance and work-related injury insurance. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty more than one time but less than three times of the amount of the social insurance premium payable by them. Where the employer fails to pay social insurance premiums on time or in full, it shall be ordered by the social insurance premium collection agencies to pay or make up the premiums within the specified time limit, and shall be subject to a late payment fee of 0.05% of the outstanding amount from the maturity date calculated on a daily basis. Where the employer still fails to do so, relevant administrative department may impose a fine of more than one time but less than three times of the outstanding amount.

3. Housing Provident Fund

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which became effective from 3 April 1999 and was last amended on 24 March 2019, employers shall proceed with the registration of housing provident fund contribution with the administrative department of the housing provident fund. Upon review by the housing provident fund administrative center, employers shall proceed with the procedures of creating or transferring the housing provident fund accounts for its employees with the entrusted banks and deposit the housing provident fund for its employees. With respect to the failure of proceeding with housing provident fund contribution registration as required or opening housing provident fund accounts for their employees, such employers shall be ordered by the housing provident fund administrative center to proceed with such procedures within prescribed period; those who fail to proceed with their registrations within the prescribed period shall be subject to a fine from RMB10,000 to RMB50,000. Employers shall deposit the housing provident fund on time and in full without any overdue in the payment or underpays. If the employer is overdue in

the payment or underpays, the housing provident fund administration center shall order the employer to pay up within the prescribed time limit; if the employer still fails to pay up as scheduled, the fund administration center may apply to the court for enforcement of the unpaid amount.

4. Labor Dispatch

Pursuant to the Labor Contract Law and the Interim Provisions on Labor Dispatch (《劳務派遣暫行規定》), which became effective on March 1, 2014 and the Measures for the Implementation of Administrative License for Labor Dispatch, which became effective on 1 July 2013 (《劳務派遣行政許可實施辦法》), labor dispatch employment is a supplemental form which can only be adopted for temporary, auxiliary or alternative job positions of non-major business that serve positions of major businesses, and alternative positions are positions that can be held by substitute laborers for a certain period of time during which the laborers of the employers who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. An employer is required to strictly control the number of dispatched labors which may not exceed 10% of the total number of its workers.

IV. The PRC Laws and Regulations Relating to Production Safety and Product Quality

1. Production Safety

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》), which became effective from 1 November 2002 and was last amended on 10 June 2021, a production and operation enterprise must comply with the relevant laws and regulations on production safety, strengthen the management of production safety, establish and improve the responsibility system of production safety and production safety rules, regulations and systems, improve the condition of production safety, promote the standardization of production safety and enhance the level of and ensure production safety. Production and operation enterprises failing to meet the condition of production safety required by the Production Safety Law of the PRC and the relevant laws, administrative regulations and national standard or industry standard are not allowed to carry out production and operation activities. Besides, an enterprise is responsible for teaching its staff about issues relating to production safety. A production and operation enterprise shall provide their employees with education and training on production safety. A production and operation enterprise that has more than 100 employees shall establish production safety management institution to enhance the safety of production facilities or appoint specific personnel responsible for production safety management. Enterprises failing to comply with the relevant work safety requirements may be subject to fines and be ordered to discontinue production (as the case may be). Where a criminal offense is committed, the enterprise shall bear the criminal responsibility.

2. Special Equipment

Pursuant to the Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》), which became effective from 1 January 2014, the state conducts categorized and full-course safety supervision and administration of the production, trading, and use of special equipment. Special equipment producers, traders or users, as well as the primary persons in charge thereof, shall be responsible for the safety of special equipment produced, marketed or used by them. Special equipment producers, traders and users shall have special equipment safety management personnel, testing personnel and operating personnel according to the relevant state provisions, and provide necessary safety education and skill training for them.

3. Product Quality

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), which became effective from 1 September 1993 and was last amended on 29 December 2018, manufacturers and sellers shall establish internal product quality management system and strictly implement post quality specification, quality responsibility and corresponding assessment measures. The products shall pass the quality inspection and the substandard products shall not be passed off as qualified products. Manufacturer shall be liable for the quality of its products and shall bear the responsibility of the product quality according to the requirements of such regulation.

4. Fire Protection

Pursuant to the Fire Protection Law of the PRC (《中華人民共和國消防法》), which became effective from 1 September 1998 and was last amended on 29 April 2021, the above laws and regulations are applicable to the supervision and administration of fire protection for construction works to be constructed, expanded and reconstructed. The competent housing and urban-rural development authority shall carry out examination and verification on fire protection design for construction works, as well as fire protection acceptance inspection and record-filing, random checking and fire protection supervision over the construction works in accordance with the laws.

V. The PRC Laws and Regulations Relating to Environmental Protection

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which became effective from 26 December 1989 and was last amended on 24 April 2014, all enterprises and individuals have the obligation to protect the environment. Enterprises and other production operators shall prevent and reduce environmental pollution and ecological damage and assume the liabilities for the damages caused in accordance with the laws. The competent department for environmental protection of the State Council formulates the national environmental quality standard and national pollutant emission standard and specifications for inspection. The Provincial People's Governments may formulate local environmental quality standard and local pollutant emission standard for items not specified in the national

environmental quality standard and national pollutant emission standard. The Provincial People's Governments may formulate local environmental quality standard and local pollutant emission standard which are more stringent than the national ones for items already specified in the national environmental quality standard and national pollutant emission standard. Local environmental quality standard and local pollutant emission standard shall be reported to the competent department for environmental protection of the State Council for record keeping.

Pursuant to the Law of the PRC on Environment Impact Assessment (《中華人民共和國環境影響評價法》), which became effective from 1 September 2003 and was last amended on 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which became effective from 29 November 1998 and was last amended on 16 July 2017, the Catalogue of the Classification Administration of Environmental Impact Assessment of Construction Projects (2021) (《建設項目環境影響評價分類管理名錄(2021年版)》), which became effective from 1 January 2021 and the Administrative Measures on the Filing of Environmental Impact Registration Forms of Construction Projects (《建設項目環境影響登記表備案管理辦法》), which became effective from 1 January 2017, environment impact assessments shall be carried out in accordance with laws for projects which are constructed within Chinese territory and in other marine areas under the governance of the PRC and have environmental impact. The state classifies and manages the environmental impact assessments of construction projects based on the level of environmental impact of the construction projects. The construction enterprises shall organize and prepare the environmental impact report, environmental impact statement and filling in the environmental impact registration forms respectively in accordance with the Catalogue of the Classification Administration of Environmental Impact Assessment of Construction Projects (《建設項目環境影響評價分類管理名錄》). The environmental impact reports and environmental impact statements of construction projects shall be submitted by the construction enterprises to the competent ecological environment authorities for review and approval. The construction enterprises shall proceed with the filing procedures of the environmental impact registration forms in accordance with laws. Construction enterprises are prohibited to commence construction in case the environmental impact reports and environmental impact statements are not approved by the relevant authorities in charge of review and approval. Where ancillary environmental protection facilities are required for a construction project, the same shall be designed, constructed and came on stream at the same time with the main construction enterprises. When the underlying construction projects of environmental impact reports and environmental impact statements completed, the construction enterprises shall carry out acceptance inspection on the ancillary environmental protection facilities as well as preparing the inspection and acceptance report in accordance with the required standards and procedures of the competent environmental protection administrative authorities of the State Council. With respect to construction projects which are constructed, came into operation or used in stages, the related environmental protection facilities shall also be inspected and accepted in stages.

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), which became effective from 1 November 1984 and was last amended on 27 June 2017, Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), which became effective from 1 April 1996 and was last amended on 29 April 2020, Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), which became effective from 1 June 1988 and was last amended on 26 October 2018, Law of the PRC on the Prevention and Control of Pollution by Noise (《中華人民共和國噪聲污染防治法》), which became effective on 5 June 2022, China exercises the emission license administration system. Enterprises, public institutions and other manufacturers and business operators which implement the pollutant emission license administration system shall discharge pollutants according to the requirements set out in their pollutant emission license and shall not discharge pollutants without obtaining the pollutant emission license. Pursuant to the Measures for Pollutant Discharge Permitting Administration (Trial) (《排污許可管理辦法(試行)》), which became effective from 10 January 2018 and was last amended on 22 August 2019, the Ministry of Environmental Protection shall develop and issue a classification administration list of pollutant discharge permitting for fixed pollution sources according to laws. The enterprises, public institutions and other manufacturers and business operators on the list shall apply for and obtain a pollutant discharge permit according to the prescribed application time limit.

VI. The PRC Laws and Regulations Relating to the Import and Export of Goods

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》), which became effective from 1 July 1987 and was last amended on 29 April 2021, Administrative Regulations on the Filing of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》), which became effective from 1 January 2022, customs declaration entities refer to consignors, consignees and customs declaration enterprises of imported or exported goods registered with the customs in accordance with the Regulations. Consignors, consignees and customs declaration enterprises of imported or exported goods that apply for filing shall obtain the qualifications of the market. In addition, consignors and consignees of imported or exported goods shall obtain record-filing of foreign trade operators. If consignees, consignors and the customs declaration enterprises of import and export goods have already proceeded with the filing registration of the customs declaration entity, their branches that meet the preceding conditions may also apply for the filing of the customs declaration entity. If the filing materials are completed and meet the filing requirements of the customs declaration entity after reviewing, the customs shall complete the filing within 3 working days. The filing information shall be published through the Credit Publicity Platform of Import and Export Business of Customs of the PRC (中國海關企業進出口信用信息公示平台). The filing of the customs declaration enterprise is valid for long term. Temporary filing is valid for one year, and filing can be re-applied after expiration.

VII. The PRC Laws and Regulations Relating to Foreign Exchange Management

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at present. The State Administration of Foreign Exchange is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Pursuant to the Regulations for Administration of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which became effective from 1 July 1996, upon approval, foreign investment enterprises can open foreign exchange settlement accounts for their foreign exchange income for current account with a selected bank engaging in foreign exchange business in its place of incorporation.

Pursuant to the Regulation on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》), which became effective from 1 April 1996 and was last amended on 5 August 2008, foreign exchange income for current account may, in accordance with the relevant requirements of the state, be retained or sold to any financial institution engaging in foreign exchange settlement and sale business, and where any foreign exchange income for capital account is to be retained or sold to a financial institution engaging in foreign exchange settlement and sales business, an approval shall be obtained from the relevant foreign exchange administrative authority, other than where no approval is required under the requirements of the state.

The Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), which became effective from 17 December 2012 and was last amended on 30 December 2019, largely simplifies the previous foreign exchange review and approval procedures and cancels the approval for the opening of and capital transfer into foreign exchange account under direct investment. Instead, banks shall handle the procedures for the account opening entity in accordance with the registration information of the relevant operation system of the foreign exchange office.

Pursuant to the Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), which became

effective from 4 July 2014, a domestic resident shall, before contributing the domestic and overseas lawful assets or interests to a special purpose vehicle, apply to the foreign exchange office for going through the procedures for foreign exchange registration of overseas investments. A domestic resident contributing domestic lawful assets or interests shall apply to the foreign exchange office of the place of incorporation, or the foreign exchange office situated at the place where the domestic enterprise's assets or interests are located for going through the procedures for registration; a domestic resident contributing overseas lawful assets or interests shall apply to the foreign exchange office of the place of incorporation, or the foreign exchange office of the location of household registration for going through the registration procedures.

The Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Control Policies on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which became effective on 1 June 2015 and was last amended on 30 December 2019, cancels the administrative approval requirements on foreign exchange registration under overseas direct investment and foreign exchange registration under overseas direct investment shall instead be approved and handled directly by banks. The SAFE and its branches indirectly supervise the foreign exchange registration under direct investment through banks. In case such domestic resident makes overseas investment with his or her onshore assets or interests, he or she shall proceed with the foreign exchange registration of special purpose vehicles by PRC resident individuals with the banks situated at the place where the onshore corporate assets or interests are located.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), which became effective on 1 June 2015, and partially abolished on 30 December 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (1) for any expenditures beyond the business scope of the foreign invested enterprises or forbidden by laws and regulations; (2) for direct or indirect securities investment (except as otherwise provided by laws); (3) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that lent to a third party; and (4) to purchase real estates not for self-use purposes (save for real estate enterprises).

According to the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), which became effective on 9 June 2016 and was amended on 4 December 2023, discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign **[REDACTED]**, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties).

VIII. The PRC Laws and Regulations Relating to Intellectual Property Rights

1. Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》), which became effective from 1 April 1985 and was last amended on 17 October 2020, and the Rules for the Implementation of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), which became effective from 1 July 2001 and was last amended on 11 December 2023, three types of inventions and creations could apply for patents, which are invention, utility model and design. Invention patents are valid for 20 years, while utility model patents are valid for 10 years and design patents are valid for 15 years (according to the Interim Measures on Disposition of Examination-Related Activities Post Patent Law Implementation (《關於施行修改後專利法的相關審查業務處理暫行辦法》), 10 years' protection term for a design patent filed on or before 31 May 2021, commencing from its application date), in each case commencing from their respective application dates. The administrative department of patent under the State Council is responsible for patent application by making the decision of granting patent right, issuing patent certificate as well as making registration and announcement. The parent right became effective since the date of the announcement. The patentee shall pay annual fees commencing from the year when the parent right is granted. Upon the granting of an invention and a utility model patent, unless otherwise specified by the Patent Law of the PRC, no organization or individual may engage in activities protected by the patent without obtaining a license from the patentee, i.e. it may not, for the purposes of production and business operation, produce, use, offer to sell, sell, import the patented products, nor use the patented method and use, offer to sell, sell, import products that are acquired directly through the patented method. Otherwise, it shall be held liable to the patentee for compensation or may be subject to the administrative penalty imposed by the relevant administrative authority and even be prosecuted for criminal liability (as the case may be).

2. Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》), which became effective on 1 March 1983 and was last amended on 23 April 2019, and the Implementation Rules of PRC Trademark Law (《中華人民共和國商標法實施條例》) which was last amended on 29 April 2014, the period of validity of a registered trademark shall be ten years, commencing from the date of approval of registration. A trademark registrant intending to continue to use the registered trademark upon expiry of the period of validity shall undergo the renewal formalities within 12 months before expiry according to the relevant provisions. If failing to do so, the trademark registrant may be granted a six-month grace period. The period of validity of each renewal is ten years, commencing from the day after the expiry date of the last period of validity. If the renewal formalities are not undergone within the grace period, the registration of the trademark shall be cancelled.

3. Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names(《互聯網域名管理辦法》), which became effective on 24 August 2017, domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

IX. The PRC Laws and Regulations Relating to Properties

1. Land

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), which became effective from 1 January 1987 and was last amended on 26 August 2019, and the Regulation on the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》), which became effective from 1 February 1991 and was last amended on 2 July 2021, issues related to the ownership of land, land use right, the overall planning of land use, the protection of cultivated land and the construction land in the PRC are all subject to the supervision of the above laws and regulations.

2. Property Rights

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), civil relationships arising from the possession and the use of property (including ownership, usufructuary right, security rights to the property and possession) are subject to the law, of which a holder of the land use right of the construction land enjoys the rights to possess, use and seek proceeds from the state-owned land as prescribed by the laws and the rights to build buildings, structures and their accessory facilities on such land. A mortgage can be set up on the land use right of the construction land, buildings and other land affiliated items as prescribed by the laws.

3. Construction Under Progress

Pursuant to the Law of Urban and Rural Planning of the PRC (《中華人民共和國城鄉規劃法》), which became effective from 1 January 2008 and was last amended on 23 April 2019, Construction Law of the PRC (《中華人民共和國建築法》), which became effective from 1 March 1998 and was last amended on 23 April 2019, Administrative Measures for Construction Permits of Construction Projects (《建築工程施工許可管理辦法》), which became effective on 25 October 2014 and was last amended on 30 March 2021 and the Regulations on the Administration of Construction Project Quality (《建設工程質量管理條例》), which became effective from 30 January 2000 and was last amended on 23 April 2019, construction activities carried out in the preoccupied areas of cities, towns and villages and in areas subject to planning control due to the needs of urban and rural construction and development shall comply with the relevant requirements of the Law of Urban and Rural Planning of the PRC, under which the construction enterprises shall obtain

the Construction Land Use Planning Permit and Construction Works Planning Permit from the competent urban and rural planning department of the City and County People's Government and apply for the Construction Permit with the competent housing and urban-rural department of the People's Government above county level at places where the construction projects are located before construction commences as prescribed by the laws. Upon receiving the completion report of the construction project, the construction enterprise shall organize the acceptance inspection by the relevant design, construction and supervision enterprises.

4. Leasing of Commodity Housing

Pursuant to the Law for Management of Tenancy for Commodity Housing (《商品房屋租賃管理辦法》), which became effective on 1 February 2011, the law is applicable to leasing, supervision and management of commodity housing erected on the state-owned lands situated in the urban planning areas. The parties to a lease of a building shall enter into a lease contract and shall proceed with the registration of the lease with the real estate administration authority in which the building is situated in accordance with laws.

Pursuant to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》), which became effective from 1 January 1995 and was last amended on 26 August 2019, those who acquire the right to use the State-owned land within the designated urban area for real estate development, engage in real estate development or transactions of real estate and exercise real estate administration shall abide by the law. For the purpose of leasing of houses, the lessor and lessee shall sign a written lease contract, prescribing such provisions as the leasing term, use of the house, rental and repair liabilities, and other rights and obligations of both parties; and go through registration procedures for record with the real estate administration department.

X. The PRC Laws and Regulations Relating to Cybersecurity

On 28 December 2021, the CAC, jointly with other twelve PRC governmental authorities, promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》) (the "**CAC Measures**"), which became effective on 15 February 2022. The CAC Measures provides that, among others (i) online platform operators possessing personal information of more than one million users must apply to the Cybersecurity Review Office for a cybersecurity review before conducting any listing in a foreign country; (ii) the purchase of network products and services of a critical information infrastructure operator and data processing activities of an online platform operator that affect or may affect national security shall be subject to the cybersecurity review; and (iii) the relevant governmental authorities in the PRC may initiate cyber security review if such governmental authorities determine any network products and services and data processing activities affect or may affect national security. Article 10 of the CAC Measures set out the following national security risk factors for the relevant targets or situations that shall be focus on assessing in a cybersecurity review: (i) the risks of illegal control of, interference in, or destruction of critical information infrastructure arising from the use of the products and services; (ii) the harm to the business continuity of key information infrastructure caused by the

interruption of the supply of the products and services; (iii) the security, openness, transparency, diversity of sources of products and services, reliability of supply channels, and the risks of supply disruption caused by political, diplomatic, and trade factors; (iv) the compliance by product and service providers with Chinese laws, administrative regulations, and departmental rules; (v) the risks of core data, important data, or a large amount of personal information being stolen, leaked, damaged, illegally used, or illegally transferred to another country or jurisdiction; (vi) there are risks when an initial **[REDACTED]** is launched that key information infrastructure, core data, important data, or a large amount of personal information are influenced, controlled, or maliciously used by a foreign government and that network information security is endangered; and (vii) other factors that may endanger the security of key information infrastructure, cybersecurity, and data security.

On 14 November 2021, the CAC promulgated the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft CAC Regulations**"). According to the Draft CAC Regulations, data processors shall, in accordance with relevant PRC regulations, apply for cybersecurity review when carrying out the following activities: (i) the merger, reorganization or separation of online platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) processing personal information of more than one million individuals and seeking a listing in a foreign country; (iii) apply for listing in Hong Kong, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. As at the Latest Practicable Date, the Draft CAC Regulations are still in draft form and subject to change with substantial uncertainty.

Our PRC Legal Advisers, the Sole Sponsor and Sponsor's legal advisers conducted a telephone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**CCRTCC**"), the department responsible for accepting applications for cybersecurity review under the guidance of the Office of Cyber Security Review. The CCRTCC confirmed that the cybersecurity review under the CAC Measures is applicable to online platform operators or critical information infrastructure operators, and enterprises not involved in any service, product or data processing activities that might give rise to national security risks based on the factors set out in Article 10 of the CAC Measures are not required to apply for the cybersecurity review under the CAC Measures.

Given that (i) the Group is a semiconductor transport media manufacturer for tray and tray related products and not an online platform operators or critical information infrastructure operators, (ii) the Group had not been involved in any service, product or data processing activities that might give rise to national security risks based on the factors set out in Article 10 of the CAC Measures, and had not possessed personal information of over one million users, and (iii) as of the Latest Practicable Date, the Group has not received any investigations, notices, warnings or sanctions in relation to cybersecurity, our PRC Legal Advisers are of the view that the CAC Measures or the Draft CAC Regulations will not affect the Group's compliance or have any material adverse impact on the Group's business, if the Draft CAC Regulations take effect in the proposed form as at the Latest Practicable Date.

XI. The PRC Laws and Regulations Relating to Overseas Listing

On 17 February 2023, the CSRC released the Overseas Listing Measures, which became effective on 31 March 2023. The Overseas Listing Measures prohibit overseas offering and listing for (i) PRC domestic companies that are explicitly prohibited from listing by PRC laws and regulations; (ii) PRC domestic companies whose offering and listing may endanger national security, as determined by relevant departments of the State Council; (iii) PRC domestic companies or their controlling shareholders or actual controllers have committed crimes of corruption, bribery, encroachment and embezzlement upon property, or disruption of the order of the socialist market economy in the recent three years; (iv) PRC domestic companies that are under ongoing investigations for suspected crimes or material violations of PRC laws; and (v) controlling shareholders of PRC domestic companies, or the shareholders controlled by the controlling shareholders or actual controllers of PRC domestic companies, are involved in material disputes over their equity ownership of the company.

According to the Overseas Listing Measures, (1) PRC domestic companies that seek to offer or list securities overseas, either directly or indirectly, shall fulfil the filing procedure with the CSRC and report relevant information; (2) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (ii) its major operational activities are carried out in PRC or its main places of business are located in PRC, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in PRC; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for initial **[REDACTED]** or listing in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted. If a domestic company fails to complete the filing procedures, such domestic company may be ordered to make corrections and subject to a warning and a fine of RMB1 million to RMB10 million by the CSRC.

On the same day, CSRC also issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that on the effective date of the Overseas Listing Measures, domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing.

As advised by our PRC legal advisers, our Group does not fall under the scope of prohibited overseas offering and listing as stipulated in the Overseas Listing Measure. Our Group has submitted the filing documents to the CSRC of our overseas offering and listing pursuant to the requirements of Overseas Listing Measures in September 2023. As advised by

our PRC Legal Advisers, after review of the filing documents submitted, the CSRC formed the view and advised us that we do not fall under the requirements under section 15 of the Overseas Listing Measures, and we are not under the scope of the CSRC filing requirement on 5 December 2023.

HONG KONG LAWS AND REGULATIONS

(A) Laws relating to our business

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

The Sale of Goods Ordinance aims to codify the laws relating to the sale of goods which shall be applicable to our Group's business activities. It provides that:

(a) there is an implied condition that the goods shall correspond with the description where there is a contract for the sale of goods by description;

(b) there is an implied condition that the goods supplied under the contract are of merchantable quality where a seller sells goods in the course of a business, except that there is no such condition (i) as regards defects specifically drawn to the buyer's attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract by sample, as regards defects which would have been apparent on a reasonable examination of the sample; and

(c) where there is a contract for sale by sample, there are implied conditions that (i) the bulk shall correspond with the sample in quality, (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample, and (iii) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

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

Trade Descriptions Ordinance (Chapter 362 of Laws of Hong Kong)

The Trade Descriptions Ordinance aims to prohibit false trade description, false, misleading or incomplete information, false statements, etc., which shall be applicable to our Group in respect of products offered in the manufacture and sales of JEDEC tray, carrier tape and plastic reel and provision of MEMS and sensor packaging. All of the products or services supplied by our Group may be required to comply with the relevant provisions therein.

Section 2 of the Trade Descriptions Ordinance provides, inter alia, that "trade description" in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, their being of the same kind as goods supplied to a person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned etc.), with respect to any goods or parts of the goods; and in relation to services means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, fitness for purpose, method and procedures, availability, the person by whom the service is supplied, after-sale service assistance, price etc.).

Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto.

Section 7A of the Trade Descriptions Ordinance provides that a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied, commits an offence.

Sections 13E, 13F, 13G, 13H and 13I of the Trade Descriptions Ordinance provide that a trader who engages in relation to a consumer in a commercial practice that (a) is a misleading omission; or (b) is aggressive; (c) constitutes bait advertising; (d) constitutes a bait and switch; or (e) constitutes wrongly accepting payment for a product, commits an offence.

A person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine at HK$100,000 and to imprisonment for 2 years.

Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong)

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) is an ordinance which provides for the regulation and control of, amongst other things, the import and export of products into or out of Hong Kong.

The import and export of certain articles are prohibited unless with the relevant licences under sections 6C and 6D of the Import and Export Ordinance. According to section 6C of the Import and Export Ordinance, no person shall import any article specified in Schedule 1 to the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong)), except under and in accordance with an import licence issued under section 3 of the Import and Export Ordinance. Section 6D of the Import and Export Ordinance provides that no person shall export any article specified in the second column of Schedule 2 to the Import and Export (General) Regulations to the place specified opposite thereto in the third column of that Schedule except under and in accordance with an export licence issued under section 3 of the Import and Export Ordinance. Applications for import licence and export licence are handled by the Director-General or any Deputy or Assistant Director-General of Trade and Industry pursuant to section 3 of the Import and Export Ordinance. Anyone who fails to comply with sections 6C and/or 6D shall be guilty of an offence and shall be liable on conviction to a fine of HK$500,000 and to imprisonment for 2 years.

Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong)

Pursuant to regulations 4 and 5 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), every person, including company, who imports or exports or re-exports any article other than an exempted article set out in regulation 3 of the Import and Export (Registration) Regulations shall lodge with the Commissioner of Customs and Excise and any Deputy or Assistant Commissioner of Customs and Excise of

Hong Kong (the "**Commissioner**") an accurate and complete import or export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner may specify. Every declaration required to be lodged shall be lodged within 14 days after the importation or exportation of the article to which it relates.

Trade Marks Ordinance (Chapter 559 of the laws of Hong Kong)

The Trade Marks Ordinance is a statute enacted to make provision in respect of the registration of trade marks and for connected matters. The Trade Marks Ordinance provides (amongst other things) that a person infringes a registered trade mark if the person uses in the course of trade or business a sign which is:

(a) identical to the trade mark in relation to goods or services which are identical to those for which it is registered;

(b) identical to the trade mark in relation to goods or services which are similar to those for which it is registered; and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public;

(c) similar to the trade mark in relation to goods or services which are identical or similar to those for which it is registered; and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public; or

(d) identical or similar to the trade mark in relation to any goods or services; the trade mark is entitled to protection under the Paris Convention as a well-known trade mark; and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

Under the Trade Marks Ordinance, the owner of a trademark is entitled to bring infringement proceedings against a person infringing his/her/its trade mark for damages, injunctions, accounts and any other relief available in law.

As at the Latest Practicable Date, our Group had registered two trade mark in Hong Kong relating to our Group's business. The Directors confirm that our Group did not receive any claim for trade mark infringement during the Track Record Period and up to the Latest Practicable Date. For further details of our Group's material intellectual property rights in Hong Kong, please refer to "B. Further information about the business of our Group – 2. Intellectual property rights" in Appendix IV to this document.

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

The Inland Revenue Ordinance (the "**IRO**") imposes taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profit tax rate for corporations is at 16.5%. The IRO also contains provisions relating to, among others, permissible deductions for outgoing and expenses, set-offs for losses and allowances for depreciation. We, as a company carrying out business in Hong Kong, are subject to the profits tax regime under the IRO.

TRANSFER PRICING GUIDELINES, LAWS AND REGULATIONS

Transfer Pricing Laws and Regulations in Hong Kong Regulations

Regulations concerning transfer pricing between associated enterprises can be found in IRO and the comprehensive double taxation agreements (the "**DTAs**") between Hong Kong and other countries or territories, including the Mainland China.

Section 20A of the Inland Revenue Ordinance gives the IRD wide powers to collect tax due from non-residents. The IRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the Inland Revenue Ordinance, make additional assessments under section 60 of the Inland Revenue Ordinance and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the Inland Revenue Ordinance.

Under section 60 of the IRO, where it appears to an assessor that for any year of assessment any person chargeable with tax has not been assessed or has been assessed at less than the proper amount, the assessor may, within the year of assessment or within 6 years after the expiration thereof, assess such person at the amount or additional amount which, according to his judgment, such person ought to have been assessed, and, provided that where the non-assessment or under-assessment of any person for any year of assessment is due to fraud or wilful evasion, such assessment or additional assessment may be made at any time within 10 years after the expiration of that year of assessment.

Section 61A of the IRO stipulates that where it would be concluded that person(s) entered into or carried out transactions for the sole or dominant purpose to obtain a tax benefit (which means the avoidance or postponement of the liability to pay tax or the reduction in the amount thereof), liability to tax of the relevant person(s) will be assessed (a) as if the transaction or any part thereof had not been entered into or carried out; or (b) in such other manner as the supervising authority considers appropriate to counteract the tax benefit which would otherwise be obtained.

The DTAs contain provisions mandating the adoption of arm's length principle for pricing transactions between associated enterprises. The arm's length principle uses the transactions of independent enterprises as a benchmark to determine how profits and expenses should be allocated for the transactions between associated enterprises. The basic rule for DTA purposes is that profits tax charged or payable should be adjusted, where necessary, to reflect the position which would have existed if the arm's length principle had been applied instead of the actual price transacted between the enterprises.

The Departmental Interpretation and Practice Notes No. 45 – Relief from Double Taxation due to Transfer Pricing or Profit Reallocation Adjustments issued by the Inland Revenue Department in April 2009 makes it available that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another jurisdiction, a Hong Kong taxpayer may potentially claim relief under the tax treaty between Hong Kong and that country (jurisdictions that entered into tax arrangements with Hong Kong includes the Mainland China).

The Inland Revenue Department also issued Departmental Interpretation and Practice Notes No. 46 ("**DIPN 46**") in December 2009 on Transfer Pricing Guidelines – Methodologies and Related Issues. As stated in DIPN 46, transfer pricing documentation is not mandatory under the IRO and the taxpayers are not expressly required to create specific documents showing compliance with the arm's length principle. The Inland Revenue Department further issued Departmental Interpretation and Practice Notes No. 48 in March 2012 which provides a mechanism for taxpayers to pre-agree their transfer pricing arrangements with the Inland Revenue Department.

In July 2018, the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the "**Amendment Bill**") was enacted to introduce a legislative framework to codify how the pricing for the supply of goods and services between associated parties should be determined and implemented. The major provisions under the Amendment Bill start to apply for years of assessment commencing from 1 April 2018.

The major issues covered under the Amendment Bill are as follows:

- Codify international transfer pricing principles include, amongst others, the arm's length principle for provision between associated persons, the separate enterprises principle for attributing income or loss of non-Hong Kong resident person;

- Introduce transfer pricing documentation in Hong Kong, which includes the three-tier transfer pricing documentation relating to the master file, local file and country-by-country reporting;

- Codify Advance Pricing Arrangement ("**APA**") regime and extend application to unilateral APAs; and

- Introduce legal framework for mutual agreement procedures, which includes arbitration.

Based on the Amendment Bill, a person who have a Hong Kong tax advantage if taxed on the basis of a non-arm's length provision (the "**advantaged person**") will have income adjusted upwards or loss adjusted downwards. The advantaged person's income or loss is to be computed as if arm's length provision had been made or imposed instead of the actual provision. If the advantaged person fails to prove to the satisfaction of the assessor of the IRD that the amount of the person's income or loss as stated in the person's tax return in an arm's length amount, the assessor of the IRD must estimate an amount as the arm's length amount and, taking into account the estimated amount (a) make an assessment or additional assessment on the person; or (b) issue a computation of loss, or revise a computation of loss resulting in a smaller amount of computed loss, in respect of that person pursuant to section 50AAF of the IRO.

In July 2019, the Inland Revenue Department further issued the Departmental Interpretation and Practice Notes No. 58, No. 59 and No. 60 to set out interpretations to the Amendment Bill.

Overview of Organisation for Economic Co-operation and Development's Guidelines

The Organisation for Economic Co-operation and Development (the "**OECD**"), an international organisation of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Guidelines**"), which is consistent with the transfer pricing regulations in the tax jurisdictions involved in our Covered Transactions including PRC, Japan, the United States and Mexico. Hong Kong is a participant of the OECD's Trade Committee and the Committee on Financial Markets.

The OECD Guidelines provide that the arm's length standard should be used to establish transfer prices between associated enterprises.

The arm's length standard is applied by comparing controlled transactions with transactions between independent enterprises based on "economically relevant characteristics". Comparability is achieved if: (i) no differences between the controlled and uncontrolled transactions exist; (ii) the differences that do exist do not materially affect the condition being examined; or (iii) reasonably accurate quantitative adjustments can be made to eliminate the effect of any differences.

The methods presented in the OECD Guidelines can be categorised into three groups:

- Comparable uncontrolled price/transaction methods;
- Other traditional transaction methods, including resale price and cost plus; and
- Transaction profit methods, including profit split and transaction net margin.

The OECD Guidelines state that the objective is to select the method "that is apt to provide the best estimation of an arm's length price". Notwithstanding this overall objective, the OECD

Guidelines adopt the "most appropriate method to the circumstances of the case" principle for the selection of transfer pricing method.

It is also acknowledged that the OECD Guidelines establish the hierarchy between the traditional transaction methods and transactional profit methods when both can be applied in an "equally reliable manner" that the traditional transaction methods should be selected.

(B) Laws relating to labour, health and safety

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance (the "**OSHO**") provides for the safety and health protection to employees in workplace, both industrial and non-industrial.

Pursuant to section 6 of the OSHO, every employer must, so far as reasonably practicable, ensure the safety and health at work of all the employees by, so far as reasonably practicable:

(a) providing and maintaining plant and systems of work that are safe and without risks to health;

(b) making arrangements for ensuring, safety and absence of risks to health in connection with the use, handling, storage or transport of plant and substances;

(c) providing information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees;

(d) as regards any workplace under the employer's control, (i) maintaining the workplace in a condition that is safe and without risks to health; or (ii) providing or maintaining means of access to and egress from the workplace that are safe and without any such risks; and

(e) providing or maintaining a working environment for the employees that is safe and without risks to health.

Pursuant to section 6 of the OSHO, an employer who fails to comply with above provisions commits an offence and is liable (a) on summary conviction to a fine of HK$3,000,000; or (b) on conviction on indictment to a fine of HK$10,000,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable (a) on summary conviction to a fine of HK$3,000,000 and to imprisonment for 6 months; or (b) on conviction on indictment to a fine of HK$10,000,000 and to imprisonment for 2 years.

The Commissioner for Labour is empowered to issue improvement notices and suspension notices against activity of workplace which may create an imminent hazard to the employees. Failure to comply with a requirement of an improvement notice without reasonable excuse constitutes an offence punishable by a fine of HK$400,000 and to imprisonment for 12 months. An employer who, without reasonable excuse, contravenes a suspension notice constitutes an offence and is liable on conviction (a) to a fine of HK$1,000,000 and to imprisonment for 12 months; and (b) to a further fine of HK$100,000 for each day or part of a day during which the employer knowingly and intentionally continues the contravention.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employee's Compensation Ordinance (the "**ECO**") provides for the payment of compensation to employees who are injured in the course of their employment. The ECO establishes a no-fault and non-contributory employee compensation system for work injuries, and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases under the ECO.

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. An employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to an employee injured in an accident arising out of and in the course of employment, if the disease is one due to the nature of any occupation in which he was employed at any time within the prescribed period immediately preceding the incapacity caused.

Pursuant to section 40 of the ECO, no employer shall employ any employee in any employment unless there is in force in relation to such employee a policy of insurance to cover their liabilities both under the ECO and at common law for injuries at work in respect of all their employees, irrespective of the length of employment contract or working hours, full-time or part-time employment. An employer who contravenes such requirement commits an offence and is liable (a) on conviction upon indictment to a fine of HK$100,000 and imprisonment for 2 years; and (b) on summary conviction to a fine of HK$100,000 and imprisonment for 1 year.

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

The Minimum Wage Ordinance (the "**MWO**") provides for a minimum wage at an hourly rate for certain employees. The MWO establishes a statutory minimum wage ("**SMW**") regime aimed at striking an appropriate balance between forestalling excessively low wages and minimising the loss of low-paid jobs while sustaining Hong Kong's economic growth and competitiveness. The SMW rate was HK$40 per hour with effect from 1 May 2023.

Save for certain exceptions specified under section 7 of the MWO, the SMW applies to all employees, whether they are monthly-rated, weekly-rated, daily-rated, hourly-rated, piece-rated, permanent, casual, full-time, part-time or other employees, and regardless of whether they are employed under a continuous contract as defined in Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "**EO**"). Any provision in the contract of employment seeking to extinguish or reduce the employee's SMW entitlement shall be void under the law.

Failure to pay the SMW amounts to a breach of wage provisions under the EO. According to the EO, an employer who willfully and without reasonable excuse fails to pay wages to an employee when it becomes due is liable to prosecution and, upon conviction, to a fine of HK$350,000 and imprisonment for 3 years. Where a wage offence committed by a body corporate is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, any director, manager, secretary or other similar officer of the body corporate, such person shall be guilty of the like offence and, upon conviction, is liable to the same penalty.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

The Mandatory Provident Fund Scheme Ordinance (the "**MPFSO**") provides for, inter alia, the establishment of a system of privately managed, employment-related mandatory provident fund ("**MPF**") schemes to accrue MPF benefits for members of the workforce when they retire.

Pursuant to section 7A of the MPFSO, the employer and its relevant employee, being an employee of 18 years of age or over and below retirement age which is 65 years of age, are each required to make contributions to the registered scheme at 5% of the relevant employees' relevant income, meaning any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, paid or payable by an employer to the relevant employee in consideration of his employment under his contract of employment. An employer must ensure that contributions required to be made in accordance with this section in respect of an employee of the employer are paid to the approved trustee of the registered scheme of which the employee is a member within the period and in the manner prescribed by the regulations.

Pursuant to section 9 of the MPFSO, a relevant employee whose relevant income is less than the minimum level of relevant income, being HK$7,100 per month or HK$280 per day, is not required to contribute to a registered scheme but he may, if he so wishes, by notice in writing to his employer elect to do so. Pursuant to section 10 of the MPFSO, A relevant employee whose relevant income is more than the maximum level of relevant income, being HK$30,000 per month or HK$1,000 per day, is not required to contribute to a registered scheme in respect of the excess relevant income but he may, if he so wishes, by notice in writing to his employer elect to do so.

Pursuant to section 43B(1B) of the MPFSO, an employer who, without reasonable excuse, fails to comply with section 7A(1), (2) or (7) of the MPFSO commits an offence and is liable on conviction (a) to a fine at HK$100,000 and imprisonment for 6 months on the first occasion on which the person is convicted of the offence; and (b) to a fine of HK$200,000 and imprisonment for 12 months on each subsequent occasion on which the person is convicted of the offence.

Pursuant to section 43B(1C) of the MPFSO, an employer who, without reasonable excuse, fails to comply with section 7A(8) of the MPFSO commits an offence and is (a) in the case where he has deducted any amount from the employee's relevant income for the contribution period concerned as the employee's contribution and the total amount of contribution paid in respect of the employee to the approved trustee for that contribution period is less than the amount so deducted, liable on conviction to a fine of HK$450,000 and imprisonment for 4 years and, in the case of a continuing offence, to a daily penalty of HK$700 for each day on which the offence is continued; and (b) in any other case, liable on conviction to a fine of HK$350,000 and imprisonment for 3 years and, in the case of a continuing offence, to a daily penalty of HK$500 for each day on which the offence is continued.

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

The Business Registration Ordinance (the "**BRO**") provides for the registration of businesses in Hong Kong. Business includes any form of trade, commerce, craftsmanship, profession, calling or other activity carried on for the purpose of gain and also means a club. Every company incorporated in Hong Kong or non-Hong Kong company registered under the Companies Ordinance is deemed to be a person carrying on business and is required to be registered under the BRO. Besides, every non-Hong Kong corporation that has a representative or liaison office in Hong Kong, or has let out its property situated in Hong Kong is required to be registered under the BRO.

Pursuant to section 5 of the BRO, every person (a company or an individual) carrying on a business in Hong Kong, other than those specifically exempted, shall make a business registration application to the Commissioner of Inland Revenue within 1 month of the commencement of the business. Pursuant to section 12 of the BRO, a valid business registration certificate shall be displayed at the place of business to which such certificate relates. A business registration certificate is renewable every year or every three years (if the business operator elects for business registration certificate that is valid for three years).

Pursuant to section 15 of the BRO, any person who fails to make a business registration application or fails to display a valid business registration certificate shall be guilty of an offence and shall be liable to a fine at HK$5,000 and imprisonment for one year. Where a person is convicted of an offence for the failure to make a business registration application, the magistrate may, in addition to any penalty that may be imposed, order that the person shall within a time specified in the order do the act which he has failed to do, and a person who does not comply with such an order commits an offence and is liable to a fine at HK$5,000 and imprisonment for 1 year.

COMPLIANCE

As confirmed by our Directors, save as disclosed in the section headed "Business – Legal Compliance, Licences and Permits – Legal Compliance, our Group had obtained all material permits, approvals and licences necessary to operate its existing business in Hong Kong and the PRC from the relevant governmental bodies during the Track Record Period and up to the Latest Practicable Date.