This section sets forth a summary of the most significant PRC laws, rules and regulations that affect our current business activities in the PRC. This summary does not purport to be a complete description of all the PRC laws, rules and regulations which are applicable to our business and operations in the PRC. Should note that the following summary is based on relevant laws and regulations in force as of the date of the Document, which may be subject to changes in line with the amendments to such laws and regulations.

REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

The Foreign Trade Law of the PRC (中華人民共和國對外貿易法) was most recently amended on December 30, 2022 and came into effect on the same date. Before December 30, 2022, any foreign trade business operator engaged in the import and export of goods or technologies must go through the record filing and registration formalities with the MOFCOM or the agency entrusted by the MOFCOM, however, according to the latest amendment, such record filing and registration formalities are no longer required from December 30, 2022.

According to the Customs Law of the PRC (中華人民共和國海關法) 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). Consignees or consignors of imported and exported goods and customs declaration enterprises applying for filing shall obtain market entity qualification; in the case of consignees or consignors of imports and exports applying for filing, they shall also complete filing formalities for foreign trade business operators. According to the Notice by the Department of Enterprise Management and Audit-Based Control of Matters Concerning the Recordation of the Consignees and Consignors of Imported and Exported Goods (企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知), promulgated by the GACC on January 3, 2023 and took effect on the same day, a consignee or consignor of imported or exported goods who applies for recordation shall be qualified as a market entity and is not required to complete such filing formalities for foreign trade business operators.

REGULATIONS ON PRODUCT QUALITY

According to the Product Quality Law of the PRC (中華人民共和國產品質量法) last amended on December 29, 2018 with effect on the same day. Where damage to another person's person or property is caused by product defects, the victim may claim compensation from the producer or the seller of the product. Producers or sellers of substandard products will be ordered to stop production and sales, have their illegally produced or sold products confiscated, and be fined. If there are illegal gains, such gains will also be confiscated. In serious cases, their business licenses will be revoked. If a crime is constituted, criminal responsibility will be pursued in accordance with the law.

REGULATIONS ON PRODUCTION SAFETY

According to the Work Safety Law of the PRC (中華人民共和國安全生產法) last amended on June 10, 2021 with effect on September 1, 2021. Entities which cannot meet the safety conditions prescribed by laws, regulations and national or industry standards shall not engage in production or other business activities. To ensure work safety rules are observed in the production process, business entities shall establish and improve their work safety responsibility systems and work safety policies which specify responsible person(s) at each position, the scope of duties and evaluation criteria. Business entities shall provide their employees with labor protection equipment and work safety training. Where the primary person-in-charge of a business entity fails to perform his or her duties in respect of work safety, he or she would be subject to legal liabilities, depending on the seriousness of the relevant work safety accidents.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

According to the Patent Law of the PRC (中華人民共和國專利法), which was last amended on October 17, 2020 with effect from June 1, 2021, as well as the Implementation Rules for the Patent Law of the PRC (中華人民共和國專利法實施細則), which was last amended on December 11, 2023 with effect from January 20, 2024. The duration of a patent right for inventions, utility models and designs shall be 20 years, 10 years and 15 years, respectively, all commencing from the application date.

Copyright

The Copyright Law of the PRC (中華人民共和國著作權法) last amended on November 11, 2020 and brought into effect on June 1, 2021, specifies that works of Chinese citizens, legal persons or other organizations, namely ingenious intellectual achievements in the fields of literature, art and science that can be presented in a certain form, whether published or not, shall enjoy the copyright. The copyright holder can enjoy multiple rights, including the right of publication, the right of authorship, and the right of reproduction.

The Computer Software Copyright Registration Measures (計算機軟件著作權登記辦法) (the "Software Copyright Measures"), amended on June 18, 2004 and implemented on July 1, 2004 regulates the registration of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The Copyright Protection Center of China (the "CPCC") shall grant registration certificates to the Computer Software Copyrights applicants pursuant to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (計算機軟件保護條例).

Trademark

According to the Trademark Law of the PRC (中華人民共和國商標法), which was last amended on April 23, 2019 with effect from November 1, 2019, as well as the Implementation Regulation of the PRC Trademark Law (中華人民共和國商標法實施條例) revised on April 29, 2014 with effect from May 1, 2014, registered trademarks are trademarks approved and registered by the Trademark Office of China National Intellectual Property Administration, including commodity trademarks, service trademarks, collective trademarks, and certification marks. A trademark registrant enjoys exclusive rights to use a registered trademark.

REGULATIONS RELATING TO EMPLOYMENT, SOCIAL INSURANCE AND HOUSING PROVIDENT FUNDS

Pursuant to the Labor Law of the PRC (中華人民共和國勞動法), which was last amended and came into effect on December 29, 2018, the Labor Contract Law of the PRC (中華人民共和國勞動合同法), which was amended on December 28, 2012, and came into effect on July 1, 2013 and the Implementation Regulations for the Labor Contract Law of the PRC (中華人民共和國勞動合同法實施條例), which was issued on September 18, 2008 and came into effect on the same day, employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Employers must establish a system for labor safety and sanitation that strictly abide by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), which was promulgated by the SCNPC on October 28, 2010 and last amended and came into effect on December 29, 2018, an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer make payments or supplementary payments for the unpaid social insurance premium. If the payment is not made within such time limit, the relevant administrative authorities will impose a fine ranging from one to three times the total outstanding amount.

According to the Reform Plan of the State Tax and Local Tax Collection Administration System (國稅地稅徵管體制改革方案), which was promulgated by the General Office of the Central Committee of the CPC and the General Office of the State Council on July 20, 2018, commencing from January 1, 2019, all the social insurance premiums, including the premiums of basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, shall be collected by the tax authorities. The Notice of General Office of the State Council on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (國務院辦公廳關於印發降低社會保險費率綜合方案的通知), promulgated on April 1, 2019 and came into effect on the same day, requires steady advancement of the reform of the system of social security fees collection. In principle, the basic pension insurance for enterprise employees and other insurance types for enterprise employees shall be collected temporarily according to the existing collection system to stabilize the payment method. It also emphasizes that the historical unpaid arrears of the enterprise shall be properly treated. In the process of reformation of the collection system, the relevant governmental body is not allowed to conduct self-collection of historical unpaid arrears from enterprises, neither is it allowed to adopt any method of increasing the actual payment burden of small and micro enterprises to avoid causing difficulties in the production and operation of the enterprises.

According to the Administrative Regulations on Housing Provident Fund (住房公積金管理條例), which was promulgated by the State Council on April 3, 1999 and last amended and brought into effect on March 24, 2019, employers are required to make contributions to housing provident funds for their employees. Any entity fails to make payment of housing provident fund within the time limit or has shortfall in payment of housing provident fund will be ordered to make the payment or makeup the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

REGULATIONS RELATING TO TAX

Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), last amended and came into effect on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), last amended on December 6, 2024 and became effective on January 20, 2025, enterprises are classified as resident enterprises and non-resident enterprises. Enterprises which are incorporated in the PRC or incorporated pursuant to foreign laws with their "de facto management bodies" located in the PRC are deemed a "resident enterprise" and subject to an enterprise income tax rate of 25% on their global income. Non-resident enterprises are subject to (i) an enterprise income tax rate of 25% on their income generated by their establishments or places of business in the PRC and their income derived outside the PRC which are effectively connected with their establishments or places of business in the PRC; and (ii) an enterprise income tax rate of 10% on their income derived from the PRC but not connected with their establishments or places of business located in the PRC. Non-resident enterprises without establishment or place of business in the PRC are subject to an enterprise income tax of 10% on their income derived from the PRC. High and new technology enterprises that need the support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.

Value-added Tax ("VAT")

On December 25, 2024, the SCNPC issued the VAT Law of the PRC (中華人民共和國增值稅法) (the "VAT Law"), which came into effect on January 1, 2026. Under the VAT Law, entities and individuals (including privately or individually-owned business) that sell goods, services, intangible assets, immovables, or import goods within the territory of PRC are taxpayers of VAT, and shall pay VAT in accordance with this Law. Unless otherwise provided, the rate for the taxpayers' sale of goods, processing, repair and replacement services, leasing services of tangible movable and the import of goods is 13%, and may be 9%, 6%, or 0% under certain specific circumstances.

REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008 with effect on the same day, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the State Administration of Foreign Exchange (the "SAFE") or its designated banks is obtained.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) promulgated by the SAFE and became effective on June 9, 2016, amended and implemented on December 4, 2023, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign exchange capital and external debts and funds recovered from overseas listing) may convert from foreign currency into RMB on a self-discretionary basis. The ratio of the discretionary exchange rate of foreign exchange receipts under the domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due course according to the balance of payment status.

According to the Notice of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知) which was promulgated by the SAFE and became effective on October 23, 2019, amended and implemented on December 4, 2023, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to the law on the condition that the current Special Administrative Measures for Foreign Investment (Negative List) Access are not violated and the relevant domestic investment projects are genuine and in compliance with laws.

REGULATIONS RELATED TO OUTBOUND INVESTMENTS BY ENTERPRISES

Pursuant to the Administrative Measures on Outbound Investments (境外投資管理辦法), which was amended on September 6, 2014 and effective on October 6, 2014, overseas investments of enterprises involving sensitive countries and regions and sensitive industries shall be subject to examination and approval by the competent department of commerce and other overseas investments of enterprises shall be subject to filing. The competent department of commerce shall issue to enterprises which have obtained filing or approval a Certificate of Overseas Investments of Enterprises (企業境外投資證書).

Pursuant to the Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (境內機構境外直接投資外匯管理規定) and the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), the overseas direct investment of PRC enterprises shall apply for foreign exchange registration to the banks at their places of registration.

REGULATIONS RELATED TO DIVIDENDS

The Enterprise Income Tax Law of the PRC provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors which do not have an establishment or place of business in the PRC, or which have an establishment or place of business that is not effectively connected with the relevant income, to the extent such dividends are derived from sources within the PRC.

Pursuant to the Arrangement Between Mainland 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 Incomes (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) and other applicable PRC laws, if a Hong Kong resident enterprise self-assesses that it satisfied the conditions and requirements under such arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%.

REGULATIONS RELATING TO OVERSEAS LISTING AND H-SHARE FULL CIRCULATION

Overseas Listing

On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "Trial Measures") which came into force on March 31, 2023. The Trial Measures regulates that (i) Chinese companies that seek to offer and list securities in overseas markets shall fulfill the filing procedures with the CSRC and report relevant information to the CSRC, and the filing shall be submitted within three working days after the application for an initial public offering is submitted, and (ii) in the event that Chinese companies that have directly or indirectly listed securities in overseas markets intend to conduct follow-on offerings in overseas markets, such companies shall fulfill the filing procedures with and report relevant information to the CSRC, and such filing shall be submitted within three working days after such follow-on offering is completed. Moreover, an overseas offering and listing is prohibited if (i) it is prohibited by provisions in laws, administrative regulations and relevant state rules, (ii) it may endanger national security as reviewed and determined by competent PRC authorities under the State Council in accordance with law, (iii) in recent three years, the Chinese operating entities or their controlling shareholders or actual controllers have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy, (iv) domestic companies that are suspected of committing crimes or major violations of laws and regulations are under investigation according to law, and no conclusion has yet been made thereof, or (v) there are material ownership disputes over equity held by the controlling shareholders or by other shareholders that are controlled by the controlling shareholders or actual controllers.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) (the "Archives Rules") which came into force on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities.

H-share "Full Circulation"

"Full circulation" means listing and circulating on the Hong Kong Stock Exchange of the domestic unlisted shares of an H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders.

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (H股公司境內未上市股份申請"全流通"業務指引) "Full Circulation" which was issued by the CSRC on November 14, 2019, 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, and the corresponding H-share listed company may be entrusted to file the said application for "Full Circulation". To apply for "Full Circulation", an H-share listed company shall file the application with the CSRC according to the administrative filing procedures necessary for the Trial Measures. After the application for "Full Circulation" has been approved by the CSRC, the H-share listed company shall submit a report on the relevant situation to the CSRC within 15 days after the registration with China Securities Depository and Clearing Corporation Limited (the "CSDC") of the shares related to the application has been completed.

LAWS AND REGULATIONS IN THE U.S.

Businesses operating in the United States are subject to a range of federal, state and local laws and regulations. Regulations that may be material to our operations include those relating to consumer product safety and recalls, product liability, data privacy and security, customs compliance (including tariffs and other trade measures), and U.S. taxation.

Product Safety and Recalls

Consumer product safety in the United States is overseen primarily by the U.S. Consumer Product Safety Commission ("CPSC"), which was created by Congress in 1972 under the Consumer Product Safety Act ("CPSA").

The Consumer Product Safety Improvement Act of 2008 ("CPSIA") amended the CPSA and, among other requirements, provides for certification obligations (including a General Certificate of Conformity) for products subject to CPSC rules, bans, standards or regulations.

Manufacturers, importers, distributors and retailers may have reporting obligations to the CPSC under CPSA Section 15(b), including reporting failures to comply with consumer product safety rules, product defects that could create a substantial product hazard, and products creating an unreasonable risk of serious injury or death.

Proposition 65 (California)

California's Safe Drinking Water and Toxic Enforcement Act of 1986 ("**Proposition 65**") requires businesses to provide warnings to California consumers regarding exposures to chemicals that California has identified as known to cause cancer and/or reproductive harm, and OEHHA provides regulations and guidance on "clear and reasonable warnings."

Product Liability

There is no single federal product liability law; product liability claims in the United States generally arise under state law and may be based on negligence, strict liability or breach of warranty, depending on the jurisdiction.

Data Privacy and Security

The United States does not have a single comprehensive federal privacy or data security statute; privacy and security regulation is instead addressed through a combination of federal sector-specific laws and enforcement (including FTC enforcement under Section 5 of the FTC Act) and state laws.

California's Consumer Privacy Act ("CCPA"), as amended by the California Privacy Rights Act, provides California residents with certain privacy rights and is enforced by the California Attorney General and the California Privacy Protection Agency ("CPPA"). The CCPA also includes a private right of action in limited circumstances involving certain data breaches (Cal. Civ. Code § 1798.150).

International Trade and Customs (Imports)

Importation of goods into the United States is administered by U.S. Customs and Border Protection ("CBP"). CBP guidance states that "reasonable care" is an explicit responsibility of the importer, and import compliance failures may lead to enforcement actions.

In addition, U.S. law prohibits entering or introducing merchandise into U.S. commerce by means of material false statements or omissions, and provides for civil penalties based on levels of culpability (fraud, gross negligence or negligence) under 19 U.S.C. § 1592.

U.S. tariffs and other trade measures may apply to certain imported goods and can change from time to time based on U.S. trade policy developments.

U.S. Corporate Income Tax and Transfer Pricing

U.S. federal corporate income tax is imposed on corporations at a rate of 21% under 26 U.S.C. § 11 (subject to applicable state and local taxes, where relevant).

U.S. transfer pricing rules require that controlled transactions satisfy an arm's length standard, and Treasury regulations state the purpose of Section 482 is to place controlled taxpayers on parity with uncontrolled taxpayers by determining true taxable income under an uncontrolled taxpayer standard.

U.S. Outbound Investment Program

On August 9, 2023, the U.S. government issued Executive Order 14105, launching efforts to regulate certain outbound investments involving China. The U.S. Department of the Treasury followed with rulemaking, culminating in a Final Rule (the "U.S. Outbound Investment Rule" or "OIR") on October 28, 2024 (effective January 2, 2025) that established the "Outbound Investment Security Program." This program focuses on investments by U.S. persons in advanced technology sectors in "countries of concern" (currently China, including Hong Kong and Macau).

Under the U.S. Outbound Investment Rule, U.S. persons (including U.S. citizens and permanent residents, entities organized under U.S. law (including their foreign branches), and any person in the U.S.) are subject to investment prohibitions and notification requirements for certain transactions in three sensitive technology categories (semiconductors and microelectronics, quantum information technologies, and artificial intelligence systems). These restrictions apply when a transaction involves a "covered foreign person"—generally an entity in a country of concern engaged in a "covered activity." Covered transactions include activities such as acquiring equity interests (including contingent equity interests), providing debt financing, forming joint ventures, or investing as a limited partner in a fund, when such activities involve a covered foreign person.

Our primary business involves the research, development, design, production, and sale of robotic pool cleaners and we are developing AI algorithms for a visual recognition system to identify different types of pollutants and pinpoint their locations, which may satisfy the definition of "AI system" under the Final Rule. However, our AI System is not used to "control" any "robotic systems." While the AI System has been integrated into our products, it is not involved in the control of robots, because its sole purpose is limited to object identification and location. The control of robots is accomplished through other hardware components and non-AI algorithms. Therefore, we do not consider ourselves to be a "covered foreign person" engaging in any "covered activities." Based on such understanding, U.S. persons are not restricted from investing in the Company, and no notification or prohibition requirements under 31 C.F.R. Part 850 shall apply. However, neither "robotic system" nor "control" is explicitly defined under the OIR. We cannot guarantee that the Treasury will not arrive at a different determination, which could trigger the notification obligations under the OIR for U.S. persons. Any investor that is uncertain about the Final Rule's application should consult its own counsel.

Even if the Treasury determines that our engagement in "covered activities" renders us a "covered foreign person," certain investment exceptions could apply under the OIR. In particular, for the purpose of the Company's [**REDACTED**], key excepted transactions include passive investments—such as purchases of publicly traded securities, which are expressly excluded from the definition of "covered transactions." That means, even if the Company participates in a covered activity, U.S. investors would not be restricted from [**REDACTED**] in the [**REDACTED**] of the Company after being [**REDACTED**] on the [**REDACTED**], except to the extent that the investment does provide rights beyond minority shareholder protections.

LAWS AND REGULATIONS IN HONG KONG

Regulations Relating to Business Registration

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

The BRO requires every person carrying on any business to make application to the Commissioner of Inland Revenue in the prescribed manner for the registration of that business. The Commissioner of Inland Revenue must register each business for which a business registration application is made and as soon as practicable after the prescribed business registration fee and levy are paid, and issue a business registration certificate or branch registration certificate for the relevant business or the relevant branch as the case may be.

Regulations Relating to Sale of Goods

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

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

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

(ii) where the seller sells goods in the course of a business, the goods shall be of a merchantable quality, i.e. (a) as fit for the purpose or purposes for which the goods of that kind are commonly bought; (b) of such standard of appearance and finish; (c) as free from defects (including minor defects); (d) as safe; and (e) as durable, as it is reasonable to expect having regard to any description applied to them, the price (if relevant) and all the other relevant circumstances; and

(iii) where the seller sells goods in the course of a business and the buyer makes known to the seller (whether expressly or by implication) any particular purpose for which the goods are being bought, the goods supplied under the contract shall be reasonably fit for that purpose.

Under section 55 of the SOGO, where there is a breach of warranty by the seller, the buyer is not, by reason only of such breach of warranty, entitled to reject the goods, but he may set up against the seller the breach of warranty in diminution or extinction of the price, or maintain an action against the seller for damages for the breach of warranty.

Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) ("TDO")

Under the TDO, (a) use of false trade descriptions; (b) false, misleading or incomplete information, (c) false marks and misstatements in respect of products, and (d) false trade descriptions in respect of services supplied are prohibited. In addition, the TDO makes certain trade practices criminal offence, namely: (a) misleading omission; (b) aggressive commercial practices; (c) bait advertising; (d) bait and switch; and (e) wrongful acceptance of payment. The TDO also provides for offences relating to forged trade mark, and falsely applying of trade mark or resembling marks.

Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) ("SSITO")

Under the SSITO, certain terms are implied in the contracts with customers for the supply of services, including: (a) that the supplier will carry out the service with reasonable care and skill; (b) that the supplier will carry out the service within a reasonable time (if the time of service is not fixed or fixed in a manner agreed); (c) that the party contracting with the supplier will pay a reasonable charge (if the consideration is not determined by the contract or left to be determined in a manner agreed or by course of dealing between the parties).

Unconscionable Contracts Ordinance (Chapter 458 of the Laws of Hong Kong) ("UCO")

Under the UCO, if the Hong Kong court finds that a contract for sale of goods or supply of services (in which one of the parties deals as consumer) to have been unconscionable in the circumstances relating to the contract at the time it was made, the court may: (a) refuse to enforce the contract; (b) enforce the remainder of the contract without the unconscionable part; (c) limit the application of, or revise or alter, any unconscionable part to avoid unconscionable result.

Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) ("CECO")

The CECO limits the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise.

Under section 7 of the CECO, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence. Further, in the case of other loss or damage, a person cannot so exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness.

Under section 8 of the CECO, as between contracting parties where one of them deals as consumer or on the other's written standard terms of business, as against that party, the other cannot by reference to any contract term (i) when himself in breach of contract, exclude or restrict any liability of his in respect of the breach; (ii) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him; or (iii) claim to be entitled in respect of the whole or any part of his contractual obligation, to render no performance at all, except in so far as the contract term satisfies the requirement of reasonableness.

Under section 9 of the CECO, a person dealing as consumer cannot by reference to any contract term be made to indemnify another person (whether a party to the contract or not) in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness.

In relation to a contract term, the requirement of reasonableness for the purposes of the CECO is satisfied only if the court or arbitrator determines that the term was a fair and reasonable one to be included having regard to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

Misrepresentation Ordinance (Chapter 284 of the Laws of Hong Kong) ("MO")

The MO imposes a statutory liability for misrepresentation and controls the use of provisions excluding liability for misrepresentation in contracts. Liability may arise under the MO where a party to a contract is induced to enter into that contract by a misrepresentation of a material fact made by the other party. If the action is successful, the party who relied on the misrepresentation will be entitled to rescind the contract. Damages may also be granted if the misrepresentation was made fraudulently or negligently.

Regulations Relating to Importation and Exportation of Goods

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (the "**Import and Export Ordinance**") provides for the regulation and control of the import of articles into Hong Kong, the export of articles from Hong Kong, the handling and carriage of articles within Hong Kong which have been imported into Hong Kong or which may be exported from Hong Kong, and any matter incidental to or connected with the foregoing.

The import and export of certain articles are prohibited unless with the relevant licences issued by the Director-General of Trade and Industry. If the goods to be imported or exported are "prohibited articles" or "reserved commodities" under the Import and Export Ordinance and the Reserved Commodities (Control of Imports, Exports and Reserve Stocks) Regulations (Chapter 296A of the Laws of Hong Kong), shipping companies, airlines and transportation companies are required to deliver within 14 days to the Director-General of Trade and Industry the import/export licences together with the relevant manifests of the vessel, aircraft or vehicle.

Pursuant to the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), every person who imports/exports any article other than an exempted article shall lodge with the Commissioner an accurate and complete import/export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner of Customs and Excise may specify. Every declaration required to be lodged shall be lodged within 14 days after the importation/exportation of the article to which it relates.

Hong Kong is a free port and does not levy any customs tariff on imports and exports.

Regulations Relating to Taxes

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

Under the IRO, for a company carrying on a trade, profession or business in Hong Kong, its assessable profits arising in or derived from Hong Kong shall be chargeable to profits tax.

The IRO also provides for the obligation to do the followings:

(a) to keep sufficient records of the company's income and expenditure to enable the assessable profit to be readily ascertained for at least 7 years;

(b) to inform the Inland Revenue Department of its chargeability to tax;

(c) to submit tax return as required; and

(d) to inform the Inland Revenue Department of the commencement and cessation ofemployment of its employees.

LAWS AND REGULATIONS IN FRANCE

Consumer Rights Compliance

In following cases, a consumer may take legal action or file a claim against a company selling products to consumers:

– defective products,

– unfair, misleading or aggressive commercial practices, and in case of resale at a loss,

– in case of a commercial guarantee granted by the Company or any person acting in their name or on their behalf (if applicable),

– in case of hidden defects,

– in case of non-conformity,

– in case of non-performance of contractual or legal obligations.

Focus on general important provisions applied in French consumer law:

Professional's obligation to provide pre-contractual information to consumers (articles L111-1 et seq. of the French consumer code), which includes in particular the essential characteristics of the good, the price, information concerning the identity of the professional and his contact details, the existence and terms of implementation of legal guarantees, the possibility of having recourse to a consumer mediator and the name and contact details of the mediator (beforehand, the professional must subscribe to the services of an officially referenced mediator) (Article L 211-3 of the French consumer code), and the right to withdraw from the sales contract (in the case of a distance purchase contract, the consumer benefits from a 14-day withdrawal period — article L221-18 of the French Consumer Code). In case of non-compliance, a fine of €15,000 (for a legal subject) will be incurred (article L131-1 of the French Consumer Code), and a fine of €75,000 concerning the information on the right to withdraw (Article L242-10 of the French Consumer Code).

Focus on main laws and regulations applicable advertising and to information displayed on packaging or on the product:

– Compulsory use of the French language in the designation, offer, presentation, instructions for use, and description of the scope and conditions of a product's guarantee (Law 94-665 of 4-8-1994). Articles 1 and 4 of Decree no. 95-240 of March 3, 1995 provide a fixed fine of €3,750 per violation, in case of non-compliance with the provisions of the Law 941-665.

– **Comparative advertising is valid under certain conditions** (articles L122-1 et seq. of the French Consumer Code).

– « CE » marking must be written on the packaging of products when it is not possible for the CE marking to be affixed visibly, legibly and indelibly to the equipment or when such affixing is not guaranteed due to the nature of the equipment (cf. Directive 2014/35/EU on the market of electrical equipment designed for use within certain voltage limits, Directive 2014/30/EU on electromagnetic compatibility, Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment and Directive 2014/53/EU on the market of radio equipment).

– Products shall bear a type, batch or serial number or other element enabling the identification of the product and which is easily visible and legible for consumers, or, where the size or nature of the product does not allow it, that the required information is provided on the packaging or in a document accompanying the product (Regulation (EU) 2023/988 of the European Parliament and of the council of 10 May 2023 on general product safety, Article 9).

– Importers shall ensure that the product they have imported is accompanied by clear instructions and safety information in a language easily understood by consumers, as determined by the Member State in which the product is made available on the market, unless the product can be used safely and in accordance with the manufacturer's intended purpose without such instructions and safety information. (Regulation EU 2023/988 on general product safety, Article 11).

– Consumer information on sorting rules: obligation to display a "TriMan" logo on packaging, informing consumers of sorting rules (Articles L541-10, L541-9-3 and R 541-12-17 of the French Environment Code). Information on the environmental impact of a product in some cases, according to a timetable defined by decree and based on sales figures and the number of units sold (Environment Code, articles L 541-9-1 paragraph 1, R 541-220 paragraph 3, Decree 2022-748 of 29-4-2022 art. 3, I). An administrative fine of €15,000 of legal entities shall be imposed for failure to comply (article L541-9-4-1 of the French Environment Code).

– Indication of the level of reparability of electrical and electronic equipment to the seller and any other person who requests it (, Articles L 541-9-2, I-al. 1 and R 541-212, V of the French Environment Code). An administrative fine of €15,000 for legal entities shall be imposed for failure to comply (article L541-9-4 of the French Environment Code).

Focus on law/regulations applicable to substance/specifications — product safety obligation:

European Union Directives implemented into French law

– Directive 2014/35/EU on the market of electrical equipment designed for use within certain voltage limits implemented into French Law by decree n° 2015-1083 from August 27, 2015 applicable to electrical equipment intended for use at a nominal voltage of between 50 and 1,000 volts for alternating current and 75 and 1,500 volts for direct current.

– Directive 2014/30/EU on electromagnetic compatibility implemented into French Law by decree n° 2015-1084 from August 27, 2015.

– Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment implemented into French Law by decree n° 2013-988 from November 6, 2013, establishing rules on the restriction of the use of hazardous substances in electrical and electronic equipment (EEE) to help protect people, health and the environment.

– Directive 2014/53/EU on the market of radio equipment implemented into French Law by decree n° 2017-599 from April 21, 2017.

– Directive 2012/19/EU on waste electrical and electronic equipment creating a recycling and disposal chain for waste electrical and electronic equipment transposed by Decree 2014-928 of August 19, 2014.

European Union regulations directly applicable in French law:

– Regulation (EC) No. 1907/2006, REACH) provides for the general obligation to register chemical substances imported or manufactured in the EU on their own, in preparations or in articles.

– "REACH" regulation works in combination with Regulation (EC) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures.

– Regulation (EU) 2019/1020 of the European parliament and of the council of 20 June 2019 on market surveillance and compliance of products.

– Regulation (EU) 2023/988 of the European Parliament and of the Council of 10 May 2023 on general product safety. It entered into application since December 13, 2024.

– Specific requirements on billing between professionals (Article L441-9 of the French commercial code)

– Specific provisions on Data Protection — EU General Data Protection Regulation (EU) N° 2016/679 ("GDPR")

– EU anti-dumping provisions — (Regulation (EU) 2016/1036 of the European parliament and of the council of 8 June 2016 on protection against dumped imports from countries not members of the European Union, Article 1).

– Licensing of Intellectual Property Rights — Regulation (EU) 2017/1001 on the European Union trademark and Regulation (EC) No 6/2002

Expected Key Changes in Laws and Regulations in France

- New environmental obligations — Entry into force on July 18, 2024 of Regulation (EU) 2024/1781 of June 13, 2024 on eco-design for sustainable products

- Specific obligations of importers and distributors (Information and traceability obligations/Monitoring, reporting, and combating the destruction of unsold products)

- New regulations on electronic invoicing