This section sets out a summary of the laws and regulations that 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.

RELEVANT LAWS AND REGULATIONS IN THE PRC

Laws and regulations related to foreign investment

Foreign investment

On 15 March 2019, the National People's Congress, or the NPC, promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which came into effect on 1 January 2020 and replaced the previous laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law of PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法》), together with their implementation rules and the ancillary regulations. The Foreign Investment Law is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The negative list management system means that the state implements special management measures for the access of foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields.

On 26 December 2019, the State Council published the Implementation Rules of Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which came into effect on 1 January 2020. The Implementation Rules of Foreign Investment Law restates certain principles of the Foreign Investment Law and further provides, among others, that: (i) an FIE's investment within the territory of China is also subject to the Foreign Investment Law and the Implementation Rules of Foreign Investment Law; (ii) an FIE established prior to the effective date of the Foreign Investment Law may, within five years following 1 January 2020, choose to amend its legal form or corporate governance and complete amendment registration, or to keep its original legal form or corporate governance; and (iii) provisions regarding the transfer of equity interests or distribution of profits and remaining assets as stipulated in the contracts among the joint venture parties of an existing FIE may survive the Foreign Investment Law after such FIE amends its legal form or corporate governance in accordance with applicable laws.

The 2024 Negative List

Pursuant to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024) (《外商投資准入特別管理措施(負面清單) (2024年版)》) (the "**2024 Negative List**"), jointly promulgated by the NDRC and MOFCOM on 6 September 2024 and came into effect on 1 November 2024, limitations were stipulated for foreign investments in different industries in the PRC. The 2024 Negative List is further classified into "Catalogue of Industries Limited for Foreign Investment" and "Catalogue of Industries Prohibited for Foreign

Investment". Industries which do not fall within the "Special Management Measures (Negative List) for the Access of Foreign Investment" are industries permitted for foreign investment.

Laws and regulations related to our business in the PRC

Regulations on product quality and safety production

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) released by the Standing Committee of the NPC, or the SCNPC, on 22 February 1993 with effect from 1 September 1993, which was amended and effective on 27 August 2009 and was newly amended on 29 December 2018, the law applies to all the production and sales activities of any product in the PRC. The producer and the seller shall bear the responsibilities for product quality in accordance with the provisions of this law. Victims who suffer personal injury or property losses due to product defects may claim for compensation either from the producer or the seller. Where the responsibility lies with the producer and the compensation is paid by the seller, the seller shall have the right to recover such compensation from the producer. Where the responsibility lies with the seller and the compensation is paid by the producer, the producer shall have the right to recover such compensation from the seller.

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) promulgate by the Standing Committee of NPC on 29 June 2002, became effective on 1 November 2002 and last amended on 10 June 2021, entities that are engaged in the production and business operation activities within the territory of the PRC shall (i) observe the Production Safety Law and other relevant laws and regulations concerning production safety; (ii) strengthen the management and control of production safety; (iii) improve the measures for safety protection of production sites; and (iv) establish and improve the accountability system for safety accidents to ensure the work safety in production sites. The production entities shall implement national standards or industrial standards for safety formulated according to laws, and provide conditions for safe production stipulated by relevant national standards or industrial standards. Entities that do not meet the conditions for safety production shall not be engaged in production and operation activities.

According to the Measures for the Supervision and Administration of "Three Simultaneities" Requirements for the Safety Facilities of Construction Projects (《建設項目安全設施"三同時"監督管理辦法》), promulgated by the State Administration of Work Safety on 14 December 2010, last amended on 2 April 2015, and came into effect on 1 May 2015, the safety facilities in a newly built, reconstructed or expanded construction project must be designed, constructed and put into use in production simultaneously with the main body of the project. Enterprises shall conduct a comprehensive analysis of safety production conditions and facilities, form a written report for future reference, or conduct a safety pre-assessment of their construction projects, and prepare a safety pre-assessment report. When the enterprise is in the preliminary design of the construction project, it shall entrust the design unit with corresponding qualifications to design the safety facilities of the construction project simultaneously and prepare the design of the safety facilities. Before the construction project is completed and put into use in production, the enterprise shall organize the completion acceptance of the safety facilities and form a written report for future reference. After the safety facilities are completed and accepted, they can be put into production and use. If an enterprise violates the relevant requirements, it may be ordered to suspend its production, make rectification within the specified time limit, and imposed a fine.

Regulations on import and export of goods

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which was promulgated by the NPC Standing Committee on 12 May 1994, implemented on 1 July 1994, and last amended on 27 December 2025, the State permits the free import and export of goods and technologies. Based on the need to monitor the import and export goods, the competent department of foreign trade under the State Council may implement automatic import and export licensing for certain freely import and export goods and publish their catalogs. For import and export goods subject to automatic licensing, if the consignee or consignor applies for automatic licensing before going through the customs declaration formalities, the competent department of foreign trade under the State Council or its entrusted institution shall be licensed.

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017, 29 April 2021 and became effective on 29 April 2021, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the customs in accordance with the laws.

Pursuant to the Administrative Provisions of the Customs of the PRC on the Filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), which was promulgated by the General Administration of Customs on 19 November 2021 and took effect on 1 January 2022, the consignees and consignors of imported or exported goods and the customs brokers engaged in customs declarations shall undergo recordation formalities at the relevant customs administration department in accordance with the law.

Regulations on environmental protection

Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) was promulgated by SCNPC on 26 December 1989 and was revised on 24 April 2014. In case of preparing any development and utilization plan and constructing any project with impacts on the environment, the environmental impact assessment must be carried out in accordance with laws and regulations. Any development and utilization plans failing to carry out environmental impact assessment in accordance with laws and regulations must not be implemented; for any construction project failing to carry out environmental impact assessment in accordance with laws and regulations, the construction must not be commenced. Any facility for preventing and control of pollution in a construction project must be designed, constructed and put into operation parallel to the progress of the principal part of the project. The facilities for preventing and control of pollution must comply with requirements of approved environmental impact assessment files and must not be dismantled without permission or left idle. Production, storage, transport, sale, use and disposal of chemicals and articles containing radioactive substances must comply with relevant national regulations and prevent pollution of environment.

Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) was promulgated by SCNPC on 28 October 2002 and was revised on 2 July 2016 and 29 December 2018. China implements classified management on environmental impact assessment of construction projects in accordance with the impact degree on environment of the construction projects. The construction units must organize the preparation of environmental impact reports and environmental impact statements or fill in the environmental impact registration form (the "**environmental impact assessment files**") in accordance with the following regulations: (1) where it is possible to cause any major environmental impact, an environmental impact report must be prepared to assess comprehensively the generated environmental impact; (2) where it is possible to cause any minor environmental impact, an environmental impact statement must be prepared to carry out analysis or special assessment on the generated environmental impact; and (3) where the generated environmental impact is slight and environmental impact assessment is not required, the environmental impact registration form must be filled in.

Regulation on the Administration of Pollutant Discharge Licensing (《排污許可管理條例》), which was promulgated by the State Council on 24 January 2021 and took effect on 1 March 2021, and the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》), which was promulgated by the Ministry of Ecology and Environment of the PRC on 1 April 2024, and became effective on 1 July 2024, replaced the Administrative Measures for Pollutant Discharge Licensing (For Trial Implementation) (《排污許可管理辦法(試行)》), and stipulate that the enterprises, public institutions and other production operators included in the classified management catalog of pollutant discharge permits for stationary pollution sources shall apply for and obtain a pollutant discharge permit as per the prescribed time limit; and those not included in the catalog are not required to do so for the time being.

On 12 March 2026, the Ecological Environment Code of the PRC (《中華人民共和國生態環境法典》) was adopted by the NPC, and will take effect on 15 August 2026. Adopting "moderate codification" approach, the Code systematically integrates and codifies the core provisions of existing environmental laws, specifically, (i) the Code consolidates and supersedes core environmental laws, including the Environmental Protection Law of the PRC, the Environmental Impact Assessment Law of the PRC, the Law on the Prevention and Control of Water Pollution of the PRC, the Law on the Prevention and Control of Air Pollution of the PRC, and the Law on the Prevention and Control of Environmental Pollution Caused by Solid Wastes of the PRC; (ii) laws governing specific areas such as river basins, regions, natural resources will remain valid after the implementation of the Code; and (iii) for emerging areas without dedicated legislation, such as climate change mitigation carbon peaking and carbon neutrality, the Code provides principled and guiding provisions, laying a solid foundation for future legislation. Furthermore, the Ecological Environment Code strengthens environmental liability by raising the penalty amounts and introducing punitive damages for serious pollution or ecological damage incidents.

Regulations on development of construction projects

Pursuant to the Administrative Measures for the Approval and Filing of Enterprise Investment Projects (《企業投資項目核准和備案管理辦法》) promulgated by National Development and Reform Commission on 8 March 2017, any fixed-asset investment project invested and constructed in China shall be subject to the approval or filing procedures with the relevant bureaus of the Development and Reform Committee of China.

Regulations relating to property leasing

Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》), which was promulgated by the SCNPC on 5 July 1994 and was latest amended on 26 August 2019, and the Management Measures for the Lease of Commercial Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural

Development on 1 December 2010, and effective on 1 February 2011, the parties to a lease shall enter into a lease contract in accordance with the law. Within 30 days after the conclusion of the lease contract, the parties to the lease shall go to the competent department of construction (real estate) of the people's government of the municipality, city or county where the leased premise is located to register the lease. In violation of the foregoing provisions, the competent construction (real estate) departments of the people's governments of the municipalities directly under the central government, cities and counties shall order rectification within a time limit. If rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed. According to the PRC Civil Code (《中華人民共和國民法典》), the parties' failure to register the lease contract in accordance with the provisions of laws and administrative regulations does not affect the validity of the contract.

Regulations related to data security, data privacy and cyber security

According to the PRC Cybersecurity Law (《中華人民共和國網絡安全法》) promulgated on 7 November 2016 and last amended on 28 October 2025, in construction or operation of networks or supply of services through networks, technical measures and other necessary measures must be implemented in accordance with laws and regulations as well as the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of the networks, effectively respond to cybersecurity incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data.

On 10 June 2021, the Standing Committee of the NPC promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which came into effect on 1 September 2021. The PRC Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data activities. The PRC Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data shall designate the personnel and the management body responsible for data security, carry out risk assessments for its data processing activities and file the risk assessment reports with the competent authorities. In addition, the PRC Data Security Law provides a national security review procedure for those data activities which may affect national security and imposes export restrictions on certain data and information. No entity or individual within the territory of the PRC may provide foreign judicial or law enforcement authorities with the data stored within the territory of the PRC without the approval of the competent PRC authorities.

On 20 August 2021, the Standing Committee of the NPC promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), which became effective on 1 November 2021. The PRC Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. "Personal information" refers to any recorded information related to identified or identifiable natural persons, though it excludes anonymized information. The PRC Personal Information Protection Law also specified the rules for handling sensitive personal information, which includes biometrics, religious beliefs, specific identities, medical health, financial accounts, trails and locations, and personal information of teenagers under fourteen years old and other personal information, which, upon leakage or illegal usage, may easily infringe the personal dignity or harm of safety of livelihood and property. The PRC Personal Information Protection Law requires, among other things, that (i) the processing of personal information should have a clear and reasonable purpose and should be directly related to its purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Entities processing personal information handlers shall bear responsibility for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the personal information handlers will be ordered for rectification or suspension or termination of provision of services, confiscation of illegal income, subject to fines or other penalties according to the PRC Personal Information Protection Law.

On 28 December 2021 the Cybersecurities Administration of China (the "**CAC**") promulgated the Revised Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on 15 February 2022 and repeal the Cybersecurity Review Measures promulgated on 13 April 2020. The Revised Cybersecurity Review Measures provide that a critical information infrastructure operator, or a CIIO, purchasing network products and services and network platform operators engaging in data processing activities that affect or may affect national security shall apply for cybersecurity review and that network platform operators that hold personal information of over one million users shall apply with the Cybersecurity Review Office for a cybersecurity review before listing abroad.

On 7 July 2022, the CAC promulgated the Outbound Data Transfer Measures (《數據出境安全評估辦法》), which became effective on 1 September 2022. The Outbound Data Transfer Measures provide that a data processor providing data abroad in the following situations shall report security assessment for its outbound data transfer to the CAC: (i) a data processor provides important data abroad; (ii) a critical information infrastructure operator or a data processor processing the personal information of more than one million individuals provides personal information abroad; (iii) a data processor, who has cumulatively provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals abroad since 1 January of the previous year, provides personal information abroad; and (iv) other circumstances prescribed by the CAC for which report for security assessment for outbound data transfers are required. According to the Guidelines on Security Assessment Report for Outbound Data Transfer (Third Edition) (《數據出境安全評估申報指南》(第三版)) promulgated by the CAC, outbound data transfer means (i) a data processor transfers or stores the data collected or generated during its operation within the PRC abroad, (ii) data collected and generated by a data processor is stored within the PRC while offshore institutions or individuals are able to inquire, retrieve, download and obtain such data, and (iii) other outbound data transfer activities prescribed by the CAC.

On 22 March 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-border Data Flow 《(促進和規範數據跨境流動規定》), effective on the same date. According to these Provisions, data processors providing data abroad that meet any of the following conditions shall apply for outbound security assessment to the CAC through the provincial-level cyberspace administration authority of the place where the data processor is located: (i) critical information infrastructure operators providing personal information or important data abroad; (ii) data processors other than critical information infrastructure operators providing important data abroad, or providing personal information (excluding sensitive personal information) of more than one million individuals or sensitive personal information of 10,000 individuals abroad cumulatively since 1 January of the current year. The provisions also clarify that if the data has not been informed or publicly announced as important data by relevant departments or regions, data processors are not required to apply for security assessment for outbound transfer of such data as important data. Furthermore, the provisions also stipulate the conditions for the outbound data transfer exempt from applying for security assessment, entering into a standard contract for outbound transfer of personal information, or passing authentication for protection of personal information.

Pursuant to the Regulations on the Administration of Cyber Data Security (《網絡數據安全管理條例》) promulgated by the State Council on 24 September 2024, effective from 1 January 2025 (the "**Regulations**"), the Regulations apply to network data processing activities and their security supervision and administration conducted within China. The Regulations stipulate that no individual or organization may use network data to engage in illegal activities, nor engage in illegal network data processing activities such as stealing or otherwise illegally obtaining network data, illegally selling or illegally providing network data to others. Network data processors shall, in accordance with the provisions of laws and administrative regulations and the mandatory requirements of national standards, strengthen network data security protection on the basis of the cybersecurity multi-level protection system, establish and improve network data security management systems, adopt technical measures such as encryption, backup, access control, and security certification, and other necessary measures to protect network data from tampering, destruction, leakage, or illegal acquisition or use, handle network data security incidents, and prevent illegal activities and crimes targeting or utilizing network data, and shall bear primary responsibility for the security of the network data they process.

Regulations related to intellectual property

Copyright

Copyright in the PRC, including copyrighted computer software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on 7 September 1990 and most recently amended on 11 November 2020 and effective as of 1 June 2021 and related rules and regulations. Under the Copyright Law of the PRC, the term of protection for copyrighted computer software is 50 years. The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks (《信息網絡傳播權保護條例》), as most recently amended by the State Council on 30 January 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including libraries and Internet service providers.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》), promulgated by the National Copyright Administration on 20 February 2002 and amended on 18 June 2004 and effective on 1 July 2004, regulate registrations of software copyrights, exclusive licensing contracts for software copyrights and assignment agreements. The National Copyright Administration administers software copyright registration and the Copyright Protection Centre of China is designated as the software registration authority. The Copyright Protection Centre of China grants registration certificates to the computer software copyrights applicants which meet the relevant requirements.

Trademark

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on 23 August 1982 and most recently revised on 23 April 2019 and effective as of 1 November 2019 and related rules and regulations. Trademarks are registered with the National Intellectual Property Administration Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

Patent

Patents in the PRC are principally protected under the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on 12 March 1984 and most recently amended on 17 October 2020 and effective as of 1 June 2021. The Chinese patent system adopts a first-to-file principle. To be patentable, an invention or a utility model must meet three criteria: novelty, inventiveness and practicability. The duration of a patent right is 10 years, 15 years or 20 years from the date of application, depending on the type of patent right.

Domain name

Domain names are protected under the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology of the PRC on 24 August 2017 and effective as of 1 November 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

Regulations related to employment, social insurance and housing fund

Regulations on employment

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on 5 July 1994 and latest amended and effective on 29 December 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on 29 June 2007 and latest amended on 28 December 2012 and effective on 1 July 2013, and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and effective on 18 September 2008. Pursuant to the aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. The laws and regulations above impose requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure their employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abides by state standards and provide relevant education to its employees. Violations of the Labor Contract Law of the PRC and the Labor Law of the PRC may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

Regulations on social insurance

Pursuant 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 28 October 2010 and amended on 29 December 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance, medical insurance and other welfare plans. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its establishment. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to make correction within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and the person(s)-in-charge who is/are directly liable and other directly liable personnel will be fined. Meanwhile, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on 22 January 1999 and revised on 24 March 2019 prescribes the details concerning the collection and payment of social insurance.

On 31 July 2025, the PRC Supreme People's Court promulgated the Supreme People's Court's Interpretation (II) on Several Issues Concerning the Application of Law in Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which took effect on 1 September 2025. Article 19(1) thereof stipulates that if an employer and an employee agree or the employee undertakes that social insurance contributions need not be paid, the People's Court shall deem such agreement or undertaking invalid. Furthermore, where an employer fails to pay social insurance contributions in accordance with the law, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to Article 38(3) of the PRC Labor Contract Law, the People's Court shall support such claims in accordance with the law, which clarifies that employees are entitled to request termination of their labor contracts and receive corresponding economic compensation under the PRC Labor Contract Law if the employer fails to make social insurance contributions in accordance with the law.

Regulations on Housing Provident Fund

According to the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was implemented on 3 April 1999 and latest revised on 24 March 2019, any newly established entity shall make deposit registration at the housing accumulation fund management center within 30 days as at its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days as of the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management center and go through the formalities of opening housing provident fund accounts on behalf of its employees. Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB10,000 to RMB50,000. Any entity that fails to make payment of housing provident fund within the time limit or has a shortfall in payment of housing provident fund will be ordered to make the payment or make up 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 related to corporation

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the People's Republic of China (《中華人民共和國公司法》) (hereinafter referred to as the "**PRC Company Law**"), which was promulgated by the SCNPC in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013, October 2018, and December 2023 respectively. According to the latest amended PRC Company Law which took effective on 1 July 2024, companies are generally classified into limited liability companies and joint stock limited company. The PRC Company Law also applies to foreign-invested limited liability companies and joint stock limited company. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

General

A "joint stock limited company" (the "**Joint Stock Company**") refers to an enterprise legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties and its registered capital can be divided into shares of equal par value, or shares without par value. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

General meetings

According to the PRC Company Law, shareholder's general meeting (the "**GM**") of a Joint Stock Company shall be constituted by all the shareholders, which is the power body of the Joint Stock Company and shall exercise powers in accordance with the provisions the PRC Company Law.

Under the PRC Company Law, in general, GM shall be convened by the Board, the annual GM shall be convened once each year, and extraordinary GMs shall be convened within two months in case of certain events specified in the PRC Company Law. There are no specific provisions on the quorum of GM under the PRC Company Law, the shareholders may entrust the entrusted representative to attend the GM, and the power of attorney shall specify the scope of exercising the voting right.

Under the PRC Company Law, the shareholders present at a GM have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights or the classified shares held by the shareholders. Under the Company Law, GM resolutions shall be passed by more than half of the voting rights held by shareholders present at the meeting (including those represented by the appointed representative), with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the Articles of Association, which in each case shall be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting (including those represented by the appointed representative).

Transfer of Shares

Under the PRC Company Law, except that the articles of association otherwise restrict, shareholder of a joint stock company may transfer his/her shares legally. A shareholder shall transfer his/her shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares shall be transferred by means of endorsement or other means prescribed by laws or administrative regulations; after the transfer, the company shall record the name and domicile of the transferee in the register of shareholders of the company. Within 20 days before the general meeting or within 5 days before the record date of dividend distribution determined by the company, the above-mentioned register of shareholders shall not be changed.

Under the PRC Company Law, the shares of a joint stock company issued prior to the public issuance of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year, and they shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Regulations related to taxation

Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), promulgated by the SCNPC on 16 March 2007, latest amended and effective on 29 December 2018, and the Implementation Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the "**EITIR**") promulgated by the State Council on 6 December 2007, latest amended and effective on 6 December 2024, the enterprise income tax of both domestic and foreign-invested enterprises is unified at 25% with certain exceptions. Enterprises are classified as "resident enterprises" and "non-resident enterprises", resident enterprises typically pay an enterprise income tax at the rate of 25% while non-resident enterprises without any offices or premises in the PRC or the income of which derived or accrued has no de facto relationship with the office or premises established in the PRC should pay an enterprise income tax in connection with their income from the PRC at the reduced tax rate of 10%. Enterprises established under the law of foreign countries or regions whose "de facto management bodies" which is defined as the management bodies that exercise full and substantial control and overall management over the business, productions, personnel, accounts and properties of the enterprises are located in the PRC are considered as PRC tax resident enterprises, and will generally be subject to enterprise income tax at the rate of 25% of their global income.

Value-added Tax

Pursuant to the Value-added Tax Law of the PRC ("**VAT Law**"), which was promulgated by the SCNPC on 25 December 2024 and came into effect on 1 January 2026, entities and individuals (including individual industrial and commercial proprietors) selling goods, services, intangible assets, real estate and importing goods within the territory of the PRC are taxpayers of VAT and shall pay VAT in accordance with the provisions of the law. Unless stated otherwise, for payers who sell goods, and provide processing, repairs and replacement services and rental services of tangible movable assets as well as import goods, the tax rate shall be 13%, and be, in certain specified circumstances, 9%, 6% and 0%.

Regulations related to foreign exchange

Foreign exchange regulations in the PRC are primarily governed by the Administration Rules on the Foreign Exchange of the PRC (《外匯管理條例》) (the "**Exchange Rules**") promulgated by the State Council on 29 January 1996, latest amended and became effective on 5 August 2008. Under the Exchange Rules, the Renminbi is freely convertible for current account items, including the distribution of dividends, interest and royalty payments, trade and service-related foreign exchange transactions provided that the transaction is true and legitimate. Conversion of Renminbi for capital account items, such as direct investment, loan, securities investment and repatriation of investment, however, is still subject to the approval or registration regulation of the SAFE.

The Decisions of Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State council on 23 October 2014 canceled the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on 26 December 2014, a domestic company shall, within 15 business days from completion of its overseas listing issuance, register the overseas listing with the SAFE's local branch at the place of its incorporation. The proceeds of a domestic company from an overseas listing may be remitted to a domestic account or deposited overseas, and the use of the proceeds must be consistent with the content of the Document and other disclosure documents. On 24 December 2025, the People's bank of China and the SAFE promulgated the Notice on Issues Concerning the Administration of Proceeds Raised by Domestic Enterprises Listed Overseas (《關於境內企業境外上市募集資金管理有關問題的通知》), or the Proceeds Administration Notice, which will be effective on 1 April 2026 and replace the aforesaid Foreign Exchange Administration Notice. Pursuant to the Proceeds Administration Notice, a domestic enterprise that lists overseas shall, within 30 working days from the first trading day of the overseas listing or the completion of the overallotment option, apply to a bank within the province or the separately-listed municipality where it is registered for overseas listing registration, and the proceeds raised by domestic enterprises through overseas listings shall be remitted back to China in a timely manner. Where such proceeds are retained overseas for the conduct of overseas direct investment, overseas securities investment, overseas lending and other businesses, the domestic enterprise shall obtain the approval or filing documents from the competent authorities before the date of completion of the overseas issuance or the over-allotment option, and shall comply with relevant cross-border funds administration provisions. The use of proceeds raised through an overseas listing shall be consistent with the relevant contents set out in publicly disclosed documents, such as the document or offering circular.

On 13 February 2015, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Administration Policies on Direct Investments (《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》) (the "**SAFE Circular 13**"), which took effect on 1 June 2015. The SAFE Circular 13 specifies that the administrative examination and approval procedures with the SAFE or its local branches relating to the foreign exchange registration approval for domestic direct investments as well as overseas direct investments have been canceled, and qualified banks are delegated the power to directly conduct such foreign exchange registrations under the supervision of the SAFE or its local branches.

On 30 March 2015, the SAFE issued the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital 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》) (the "**SAFE Circular 19**"), which took effect and replaced previous regulations from 1 June 2015. Pursuant to the SAFE Circular 19, up to 100% of foreign currency capital of a foreign-invested enterprise may be converted into RMB capital according to the actual operation of the enterprise within the business scope at its will and the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may be used for equity investments within the PRC provided that such usage shall fall into the business scope of the foreign-invested enterprise, which will be regarded as the reinvestment of foreign-invested enterprise. Although the SAFE Circular 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC, the restrictions continue to apply as to foreign-invested enterprises' use of the converted RMB for purposes beyond the business scope, for securities investments, for RMB entrusted loans or for inter-company RMB loans. On 9 June 2016, the SAFE promulgated 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》) (the "**SAFE Circular 16**"), which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-affiliated enterprises, excluding those explicitly permitted within the business scope.

In addition, SAFE promulgated the Circular Regarding Further Promotion of the Facilitation of Cross-Border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) (the "**SAFE Circular 28**") on 23 October 2019, which expressly allows foreign invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as there is a truthful investment and such investment is in compliance with the foreign investment-related laws and regulations.

On 10 April 2020, the SAFE promulgated Notice of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (the "**SAFE Circular 8**"), according to which, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc. for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction.

Regulations related to overseas securities offering and listing and full circulation

Regulations on overseas securities offering

On 17 February 2023, the CSRC promulgated six rules and regulations, including the Trial Administrative Measures of the 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 "**Overseas Listing Trial Measures**") and five supporting guidelines, which became effective on 31 March 2023. The Overseas Listing Trial Measures adopt a filing and regulatory regime to regulate the direct and indirect overseas listing of securities of PRC enterprises. The Overseas Listing Trial Measures also stipulate that in the event of any material events such as change of control, investigation or punishment by the overseas securities supervisory authority or relevant authorities, change of listing status or transfer of listing segment, or termination of listing on its own initiative or compulsory termination of listing after the issuer's overseas listing, the issuer shall report the specific circumstances to the CSRC within three working days from the date of the announcement of the relevant event.

On 24 February 2023, the CSRC, the MOF, the National Administration of State Secrets Protection and the National Archives Administration of China jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality and Archives Administration Provisions**"), which became effective on 31 March 2023. According to the Confidentiality and Archives Administration Provisions, if a domestic joint stock company with a direct overseas listing or a domestic operating entity with an indirect overseas listing provides or publicly discloses, or provides or publicly discloses through its overseas listed entity, documents or information involving state secrets or secrets of the work of state organs, or other documents or information the disclosure of which would adversely affect national security or public interests, the corresponding procedures shall be strictly complied with in accordance with the relevant state regulations.

Regulations on "Full Circulation"

"Full Circulation" represents listing and circulating on the 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.

On 14 November 2019, CSRC announced 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》) ("**Guidelines for the "Full Circulation"**"), which were amended on 10 August 2023. As regulated in the Guidelines for "Full Circulation", shareholders of domestic unlisted shares have the flexibility to jointly decide the amount and proportion of shares that will be included in the circulation application. This decision should be reached through mutual consultation, ensuring compliance with relevant laws, regulations and policies governing state-owned asset administration, foreign investment and industry regulation. Meanwhile, the H-share listed company corresponding to these shares may be authorized to file for "full circulation" with the CSRC. An unlisted domestic joint stock company may file with the CSRC for "full circulation" at the time of its initial public offering and listing overseas. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China. Pursuant to the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC. Additionally, they are required to authorize the domestic company to submit the conversion application to the CSRC on their behalf.

On 31 December 2019, China Securities Depository and Clearing Corporation Limited and Shenzhen Stock Exchange jointly announced the Measures for Implementation of H-share "Full Circulation" Business (《H股"全流通"業務實施細則》) (the "**Measures for Implementation**"). The businesses of cross-border share transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc., in relation to the H-share "Full Circulation" business, are subject to these Measures for Implementation.

RELEVANT LAWS AND REGULATIONS IN HONG KONG

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

The Sale of Goods Ordinance ("**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 SOGO also sets out certain implied terms or conditions and warranties relating to the safety and suitability of goods supplied under a contract of sale for goods in Hong Kong, including: (a) where there is a sale of goods by description, the goods shall correspond with the description; (b) where the seller sells goods in the course of a business, the goods shall be of a merchantable quality, i.e. (i) as fit for the purpose or purposes for which the goods of that kind are commonly bought; (ii) of such standard of appearance and finish; (iii) as free from defects (including minor defects); (iv) as safe; and (v) as durable, as it is reasonable to expect having regard to any description applied to them, the price (if relevant) and all other relevant circumstances; and (c) 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 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.

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 the Laws of Hong Kong)

The Trade Descriptions Ordinance ("**TDO**") aims to prohibit false trade descriptions, false, misleading or incomplete information, false statements, etc., which shall be applicable to our Group's products. All of the products supplied by our Group are required to comply with the relevant provisions therein.

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 offense, 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 offenses relating to forged trademark, and falsely applying of trademark or resembling marks.

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

The Trade Marks Ordinance ("**TMO**") governs the registration of trademarks, use of trademarks and related matters. As Hong Kong provides territorial protection for trademarks, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy the protection by the laws of Hong Kong, trademarks shall be registered with the Intellectual Property Department under the TMO.

The TMO provides (amongst other things) that a person infringes a registered trademark if the person uses in the course of trade or business a sign which is identical or 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.

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

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 of 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.

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

Every person, (a company or individual), who carries on a business in Hong Kong is required under the Business Registration Ordinance ("**BRO**") to apply for a business registration certificate from the Inland Revenue Department (the "**IRD**") within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business. Business registration does not serve to regulate business activities and it is not a license to trade. Business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong. Business registration certificate will be issued on submission of the necessary document(s) together with payment of the relevant fee. A business registration certificate is renewable every year or every three years (if business operators elect for issuance of business registration certificate that is valid for three years). Any person who fails to apply for business registration shall be guilty of an offense and shall be liable to a fine of HK$5,000 and to imprisonment for one year.

Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

Pursuant to section 776 under Part 16 of the Companies Ordinance (the "**CO**") any non-Hong Kong company who has a place of business in Hong Kong has to register with the Companies Registry within one month after the establishment of the place of business. Upon successful registration, the non-Hong Kong company will receive from the Companies Registry a certificate of registration. Failure to register with the Companies Registry under Part 16 of the CO may entail consequences of a fine of up to HK$50,000, whereas in the case of a continuing offence, to a daily penalty of HK$700 for each day on which the offence is continued. Every responsible person of the non-Hong Kong company who authorizes and permits such contravention may be held accountable under section 776 of the CO.

Part 16 of the CO also imposes several continuous obligations on such non-Hong Kong companies in parallel to the registration requirement. Amongst others, section 778 requires the non-Hong Kong company to notify the Companies Registry of any change in its corporate name, where section 786 also provides that the non-Hong Kong company shall notify the Companies Registry should there is any change of its authorized representative. Section 788 requires the non-Hong Kong companies to deliver annual return within 42 days after each anniversary of the date on which the certificate of registration was issued. Failure to adhere to those continuous obligations will attract a fixed fine and typically an additional fixed daily penalty for each day on which the offence is continued.

As of the Latest Practicable Date, our Company confirms that it has duly registered with the Companies Registry as a non-Hong Kong company and has received all the certificate of registration. All the continuing obligations under Part 16 of the CO have also been observed and complied with and the Company will ensure continuous compliance in this respect in the future.

Laws, Regulations and Guidelines Relating to Transfer Pricing

The IRD may make transfer pricing adjustments by disallowing expenses incurred by Hong Kong residents under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO if the IRD considers that the related party transactions are not conducted on an arm's length basis. The Departmental Interpretation and Practice Notes ("**DIPN**") No. 46 provides clarifications and guidance on the IRD's views on transfer pricing and how it intends to apply the existing provisions of the IRO to establish whether related parties are transacting at arm's length prices. In general the practices followed by the IRD are based on the transfer pricing methodologies recommended by the OECD Transfer Pricing Guidelines. DIPN No. 45 further provides that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the treaty between Hong Kong and that country (countries that entered into tax arrangements with Hong Kong include the PRC). Furthermore, the Hong Kong Government has gazetted the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the "**Amendment Ordinance**") on 13 July 2018. The main objectives of the Amendment Ordinance are to codify the transfer pricing principles and implement certain measures under the Base Erosion and Profit Shifting ("**BEPS**") package promulgated by the Organisation for Economic Co-operation and Development, such as the transfer pricing documentation requirements. The BEPS package seeks to counter the exploitation of gaps and mismatches in tax rules by multinational enterprises to artificially shift profits to low or no-tax locations where there are little or no economic activity.

Section 50AAF of the IRO now codifies the arm's-length principle and allows for an adjustment of a taxpayer's profits upwards/losses downwards if the taxpayer has entered into transaction(s) with an associated person, and the pricing of such transaction(s) differs from that between independent persons and has created a Hong Kong tax advantage. Section 82A of the IRO stipulates that a person is liable to be assessed for penalties to additional tax of the amount of tax undercharged resulting from transfer pricing adjustments, unless it is proved that reasonable efforts have been made to determine the arm's length price for the transaction(s). Pursuant to section 58C of the IRO, Hong Kong entities engaged in transactions with associated enterprises will be required to prepare master and local files for accounting periods beginning on or after 1 April 2018, except where they meet either one of the following exemptions in respect of business size or relevant transaction volume: (i) exemption based on size of business; (ii) exemption based on related party transactions; or (iii) exemption where all types of controlled transactions for the relevant accounting period are not required to be covered in local files, neither local file for the accounting period and master file for the corresponding accounting period is required to be prepared or retained by a taxpayer under the IRO.

RELEVANT LAWS AND REGULATIONS IN GERMANY AND THE EU

Employment and Labour Law

Employment Law Compliance

Employment relationships in Germany are governed by individual contracts, collective agreements, and statutory law (BGB, Kündigungsschutzgesetz/KSchG, Works Constitution Act/BetrVG). Key requirements include written employment contracts, registration for social security and insurance, compliance with the minimum wage (Mindestlohngesetz), adherence to working hours and leave rules, non discrimination, accurate payroll, protection against unfair dismissal (including special protection for certain groups), occupational health and safety (ArbSchG), and consultation with the works council where applicable.

Payroll/Tax

Monthly deduction and remittance of wage tax (Lohnsteuer), employer's share of social contributions, and compliance with notification/reporting obligations. Foreign nationals employed in Germany must be correctly registered and, if applicable, possess valid work permits.

Product Compliance, Product Safety, and Product Liability

General Product Compliance

All products sold in Germany, including electrical and electronic items, must comply with the German Product Safety Act (ProdSG), which is harmonized with broad EU regulations (General Product Safety Regulation (EU) 2023/988 and Market Surveillance Regulation (EU) 2019/1020). Where applicable, products must also meet the Low Voltage Directive (2014/35/EU), Electromagnetic Compatibility Directive (2014/30/EU), Ecodesign Regulation (EU) 2023/826, and Radio Equipment Directive (2014/53/EU). Manufacturers, importers, and distributors are responsible for ensuring proper safety documentation, risk assessment, instructions for use (in German), safety warnings, clear labelling, and CE marking where applicable (mandatory for most electrical/electronic equipment), and compliance with all relevant safety, electromagnetic compatibility, energy efficiency, and connectivity requirements.

Binding Compliance with EU and German Market Requirements

Electrical and electronic products placed on the German market must comply not only with the general framework of the German Product Safety Act (ProdSG), but also with an array of harmonized EU regulations and directives, including the General Product Safety Regulation (EU) 2023/988, the Low Voltage Directive (2014/35/EU), Electromagnetic Compatibility Directive (2014/30/EU), Ecodesign Regulation (EU) 2023/826, and the Radio Equipment Directive (2014/53/EU) where applicable. Manufacturers, importers, and distributors are responsible for ensuring that each device meets all relevant essential safety, electromagnetic compatibility, energy efficiency, and, where applicable, connectivity requirements.

Energy-Related Public Funding Programs: Compliance and Market Access Requirements

Compliance with eligibility requirements under German and EU energy-related public funding programs (e.g. BAFA, KfW, or EU Innovation Fund) is critical for manufacturers and suppliers of energy products.

To qualify for subsidies or incentives, products must typically (i) meet defined technical performance and energy efficiency standards, (ii) demonstrate full legal conformity as reflected by CE-marking and adherence to ecodesign and safety regulations, and (iii) be included in relevant official lists or registers. Materials and components may also be subject to specific restrictions or criteria.

Applicants must maintain comprehensive documentation of product conformity, certification, and performance data, and ensure traceability of all production stages. From 2025, digital documentation and verification obligations apply for funding applications, including submission of data from digital product passports for relevant equipment. Authorities will require digitally verifiable evidence on technical and sustainability standards, including resource efficiency, recycled material content, reparability, and carbon footprint. Failure to provide necessary documentation may result in rejection of applications, repayment liabilities, exclusion from procurement, or sanctions.

All promotional claims regarding energy efficiency or subsidization eligibility must be substantiated and reflect current approval status. Regularly review funding guidelines and product catalogues to ensure market access and compliance.

From 2025 onwards, applicants for German and EU energy-related public funding (e.g. BAFA, KfW) must provide enhanced digital documentation and verification, including exports from digital product passports for relevant equipment. Authorities will require digitally verifiable evidence of product conformity, technical and sustainability standards, such as resource efficiency, recycled content, reparability, and carbon footprint. Failure to supply the required digital documentation may result in application rejection or funding withdrawal.

Environmental and Energy System Law

Installations involving energy or refrigeration systems in Germany may trigger additional obligations under environmental and energy installations law. In particular, Regulation (EU) 2024/573 of 7 February 2024 on fluorinated greenhouse gases (F-Gas Regulation) imposes strict requirements. Operators and installers must observe rules regarding permissible refrigerant types, leakage checks, documentation, and responsible disposal; only certified personnel may handle F-gas containing systems.

Sector-Specific Notification and Authorization Requirements

The installation of specific energy systems is subject to various mandatory notification or authorization requirements under German law. For example, major energy installations must often be notified to or approved by local building, trade, or energy authorities. Some systems require registration in sectoral databases (e.g., Marktstammdatenregister for energy generation units) or evidence of specialist installer qualifications. Depending on system type and size, operational permits (Betriebsgenehmigungen), building permits, or registration/notification of commissioning may be required before installation, connection, or commercial operation. Failure to comply with such obligations can result in administrative fines, shutdown orders, or civil liability.

Conformity Assessment and CE Marking Obligation

Prior to market placement, a documented conformity assessment for each product must be performed, including all relevant technical standards and harmonized norms. The process must result in the issuance of an EU Declaration of Conformity and the legally compliant affixing of the CE marking on both the product and its packaging. The technical documentation must be retained and made available for authorities upon request for at least 10 years from the last date of manufacture or import.

Technical Documentation and Traceability

Complete technical documentation must be available at all times, covering design and manufacturing information, risk assessments, test reports, relevant certifications, operating and installation instructions in German, and details of the responsible economic operator (manufacturer, authorized representative, or importer). Clear traceability along the supply chain must be ensured and documented, including batch and serial numbers.

Chemicals and Substance Restrictions

The limitations and prohibitions on hazardous substances under the RoHS Directive (2011/65/EU, implemented in Germany by ElektroStoffV) strictly apply. The use of lead, mercury, cadmium, hexavalent chromium, PBB, PBDE, and certain phthalates is either prohibited or heavily restricted in the homogenous materials of appliances. The manufacturer must be able to demonstrate compliance through supplier declarations, laboratory analyses, and a systematic compliance process (e.g., per EN IEC 63000). The REACH Regulation (EC) No. 1907/2006 applies in parallel, introducing notification obligations where products contain Substances of Very High Concern (SVHC) above certain thresholds.

WEEE and Battery Requirements/End-of-Life Management

Producers and importers of electrical and electronic equipment are obligated to register with the Stiftung EAR and to organize and finance take-back and recycling schemes for electrical waste under the WEEE Directive (2012/19/EU, ElektroG). Electrical products containing integrated or rechargeable batteries must comply with the Batteries Regulation (EU) 2023/1542, including registration, labelling, and extended producer responsibility obligations, as well as new requirements for digital battery passports and transparent supply chain reporting. Non-German companies acting as distance sellers must appoint an authorized representative.

Ecodesign: Energy Efficiency and Sustainability

Ecodesign requirements and delegated acts impose minimum standards relating to energy efficiency, resource consumption, reparability, availability of spare parts, and recyclability. These requirements are enforced both through product documentation and energy labelling via the EPREL database. Forthcoming digital product passport obligations (starting with certain product groups from 2025–2026) will further increase transparency and traceability obligations for manufacturers and distributors.

Product and Service Contracts

In B2C contracts, customers benefit from strong statutory protections under the German Civil Code (BGB) and EU Consumer Rights Directive (2011/83/EU): warranties for defective products (two-year minimum), rights to replacement, withdrawal (Widerruf), and clear communication of contract terms.

Product Liability

Product liability operates through both statutory (Produkthaftungsgesetz, implementing Directive 85/374/EEC) and contractual channels. Manufacturers and importers are strictly liable for personal injury or property damage caused by defective products placed on the market; limitation is generally three years but may extend depending on the case. Importers/distributors may inherit manufacturer-type liability if placing goods on the market under their own name or brand. An importer from China onto the EU market assumes the legal status of a manufacturer for regulatory and liability purposes. The importer cannot rely on the Chinese manufacturer's own declarations or compliance documentation as a complete discharge of its obligations; it bears independent responsibility for verifying conformity and for any defects of products placed on the market under its name or brand. This includes strict liability under the Product Liability Act (Produkthaftungsgesetz) for personal injury or property damage caused by defective products (see Section 4(2) ProdHaftG). Importers should ensure robust contractual back-to-back indemnities from the Chinese manufacturer and maintain comprehensive compliance documentation for at least 10 years from the last date of manufacture or import.

Liability for Installation and Assembly Services; Construction Law Issues

Companies installing energy systems in Germany face significant liability under the German Civil Code (BGB), specifically within the contract for work and services (Werkvertrag, Sections 631 et seq.). Installers are responsible for ensuring that installations are free from material defects, meet all contractual and statutory requirements, comply with technical norms (such as DIN standards), and follow manufacturer instructions. The statutory defects liability period for construction works is generally five years from acceptance (Abnahme). During this period, customers may demand remediation, price reduction, contract cancellation, or damages in case of faults. Installers must also ensure compliance with all relevant safety and environmental laws, maintain documentation, and have adequate insurance coverage for professional liability and potential financial losses arising from defective work.

Defects Liability (Mängelhaftung): Installers are strictly liable for ensuring that the installed system is free from material defects and functions as contractually agreed. This includes liability for improper installation, failure to meet performance or efficiency standards, non-compliance with technical norms or breach of manufacturer installation instructions. The statutory defects liability period for construction works is typically five years from acceptance

(Abnahme), unless otherwise agreed. During this period, the customer can demand remediation, reduction of remuneration, cancellation of the contract, and, in cases of fault, damages.

Under German law, the formal acceptance (Abnahme) of completed installation work by the customer is a key event that starts the defects liability period and shifts the burden of proof for defects. Installers must ensure compliance with agreed specifications, the German Civil Code (BGB), applicable safety and environmental laws such as the Building Energy Act (GEG), F-Gas Regulation, Workplace Safety Law, relevant technical regulations, and DIN standards. System documentation, user instructions, and, when required, end user instruction must be provided. Adherence to recognized technical standards (e.g. VDI guidelines, DIN EN standards) is contractually required or constitutes generally accepted rules of technology. Non-compliance may result in liability, regulatory intervention, or loss of insurance coverage.

Safety and Compliance: The installer must ensure that the installation complies with applicable safety and environmental laws, including but not limited to the Building Energy Act (GEG), F-Gas Regulation, Workplace Safety Law (if applicable), and all technical regulations or DIN standards relevant to the system. This encompasses system documentation, the provision of user instructions, and, if necessary, instructing the end user.

DIN/Technical Norms: Compliance with recognized technical standards (e.g. VDI guidelines, DIN EN standards for heating/cooling installations, electrical safety, leakage control, calibration, etc.) is often contractually required or otherwise constitutes the generally accepted rules of technology. Failure to adhere may result in liability for system failure, regulatory intervention, or loss of insurance coverage.

A robust contractual framework (including clear specifications of scope, acceptance criteria, duties to cooperate, and documentation of compliance) is essential for risk mitigation. Installation contractors should be particularly vigilant regarding change management, documentation, and proof of proper risk assessment in respect of safety and technical standards.

Instructions and Consumer Information

Products must be supplied with clear German-language instructions covering safe use, assembly, installation, maintenance, and disposal, with explicit warnings for any foreseeable risks. Relevant information on hazardous substances, recycling, and disposal must be included where applicable.

Under German law (Product Safety Act – ProdSG, Section 3 para. 4 and Section 6) and harmonized EU legislation (including Directive 2001/95/EC, Regulation (EU) 2023/988, and product-specific directives such as the Low Voltage and Machinery Directives), manufacturers, importers, and distributors of electrical and electronic appliances must provide clear and comprehensive instructions for use with each product placed on the market. Key requirements include:

Language and Accessibility: Manuals must be provided in the official language(s) of the country in which the product is marketed; for Germany, this means German is mandatory, and additional language versions (such as English) are encouraged for international products. User instructions must be easily accessible and comprehensible for the target consumer group, using clear language, standardized symbols, and diagrams where appropriate.

Instruction manuals must contain product identification, intended use, clear assembly, installation and operation instructions, safety warnings (including foreseeable misuse, hazard symbols, residual risks, emergency responses), maintenance and troubleshooting guidance, disposal and recycling information (including WEEE and battery laws), supplier details, and, if applicable, conformity and certification references such as CE marking and declaration of conformity. Instruction manuals must be provided in printed or durable digital form with the product, be updated as necessary to reflect revisions or product changes, and comply with relevant harmonized standards (such as EN 82079–1) and applicable EU directives and regulations. Failure to provide adequate, legally compliant instructions may constitute a product defect, result in fines or recalls, and trigger both administrative and civil product liability.

Ongoing Market Surveillance and Corrective Measures

Market surveillance authorities (such as the Bundesnetzagentur and BAuA) are empowered to request technical documents, conduct on-site inspections, and require temporary or permanent removal of products from the market in case of suspected non-compliance. Manufacturers and importers must have systems in place for market monitoring, rapid incident response, and effective recall logistics, including mandatory notification of authorities and affected consumers in the event of a safety risk.

Strict and Extended Product Liability

Statutory strict liability under the Product Liability Act (Produkthaftungsgesetz) applies for personal injury or property damage caused by defective products, regardless of fault. Contractual and tortious claims (e.g. for negligent design, instructions, or manufacturing) may result in additional liability, including recourse by commercial customers. Importers and distributors placing products under their own brand name assume manufacturer responsibility. The absence of adequate compliance and documentation may lead to presumptive liability and reversal of the burden of proof in favour of the injured party.

Outlook: Latest Regulatory Developments

From 2025 onwards, enhanced requirements relating to digital product passports, sustainability, supply chain due diligence, and market surveillance will significantly increase compliance risks. Enforcement authorities are increasingly leveraging digital tools and EU-wide databases to monitor compliance. Non-compliance can lead to sales bans, product recalls, marketplace removals, substantial administrative fines, and possible criminal prosecution in case of gross negligence or intent.

Packaging Law

Companies placing packaged goods on the German market must comply with the Packaging Act (VerpackG), which requires registration in the LUCID Packaging Register (Zentrale Stelle Verpackungsregister - ZSVR), participation in a dual system for recycling, and regular reporting of packaging volumes. Failure to comply can result in fines of up to €200,000, and online platforms such as Amazon or eBay may suspend non-compliant sellers.

Packaging and packaging waste are regulated at both the national and EU level, including under Directive 94/62/EC and the upcoming Packaging and Packaging Waste Regulation. These laws impose requirements on recyclability, minimum standards for materials and labelling, and environmental impact reduction. All packaging must meet recyclability standards set by the ZSVR, and products must be appropriately labelled to facilitate consumer sorting and recycling.

Obligations apply to both German and non-German companies placing packaging on the market, with non-German companies required to appoint an authorized representative for registration and compliance. Producers must join an approved dual system for packaging waste collection and recycling, and must report types and quantities of packaging placed on the market. Volume reporting and compliance with evolving EU requirements, including those introduced under the Packaging and Packaging Waste Regulation, are essential to avoid regulatory penalties and operational disruption.

Obliged entities must regularly report packaging types and volumes to both their dual system provider and the LUCID Register, with reporting required at least annually, and more frequently depending on system specifications. Producers are also responsible for meeting strict recyclability standards, detailed material restrictions, and appropriate labelling as set by the ZSVR and in line with EU directives. Non-German companies must appoint an authorized representative for compliance.

Further obligations include joining an approved system for packaging waste collection, reporting packaging volumes, and ensuring compliance with ongoing changes under the Packaging and Packaging Waste Regulation (PPWR), which will further harmonize requirements across the EU. Non-compliance may result in severe penalties, including fines up to €200,000, product de-listing, and commercial bans, with enforcement carried out by German and EU authorities.

Companies placing packaging on the German market must comply with the Packaging Act (VerpackG) and related EU regulations, requiring registration in the LUCID Packaging Register (Zentrale Stelle Verpackungsregister – ZSVR) and participation in a certified dual system for collection and recycling. Obliged entities must regularly report packaging types and volumes, meet strict recyclability standards, and ensure materials and labeling comply with both national and EU requirements, including restrictions on hazardous substances and clear material identification to facilitate consumer sorting. Packaging fees are based on type and volume, and non-compliance can result in fines or commercial restrictions.

Producers must consider reuse, reduction, and eco-design principles, with increasing targets for reusable packaging, recycled content, and improved recyclability, particularly under the Packaging and Packaging Waste Regulation (PPWR). Certain packaging categories, such as those for transport, e-commerce, or food service, face specific reuse quotas and bans on single-use formats. Non-German companies must appoint an authorized representative for compliance and reporting.

New Obligations/Outlook under the Packaging and Packaging Waste Regulation (PPWR): The PPWR introduces stricter harmonized requirements on recyclability, recycled content, labelling, reuse quotas, and digital tracking (e.g. QR codes or digital product passports). These obligations will apply directly across the EU, superseding conflicting national laws. Companies should monitor regulatory developments and prepare for phased implementation from 2025 onwards.

Producers are responsible for joining an approved packaging waste collection system and must consider reuse, reduction, and eco-design principles. Increasing targets for reusable packaging, recycled content, and improved recyclability apply, especially under the upcoming Packaging and Packaging Waste Regulation (PPWR), which will harmonise requirements across the EU. Non-German companies must appoint an authorised representative for compliance and reporting.

E-Commerce, Platform & Consumer Protection Law

E-Commerce Framework

Operators of online shops or sellers on third-party platforms must comply with mandatory consumer information (identity, address, contract terms), the right of withdrawal, technical steps to contract conclusion, accepted payment methods, digital contract confirmations, dispute resolution references, and data privacy documents.

Online Marketplaces/Platforms

Directives and regulations, notably the Digital Services Act (DSA), Market Surveillance Regulation, impose heightened scrutiny on sales via platforms: Identity and compliance checks for sellers before listing is allowed. Marketplace duty to monitor product conformity and to react to authority requests regarding product safety or illegal content. Sellers must maintain up-to-date Terms & Conditions ("**T&Cs**"), provide clear withdrawal policies, and allow consumers to easily access all material product and contract data. - Platforms may suspend or de-list non-compliant sellers.

Consumer Protection

Strong protections exist for end-customers: clear and complete product information, easy-to-exercise withdrawal rights (generally 14 days), access to dispute resolution (ODR), and high standards for complaint handling.

Data Privacy and Data Protection Laws

GDPR/DSGVO

Personal data processing by German entities is governed by the EU General Data Protection Regulation (GDPR/DSGVO) and the German Federal Data Protection Act (BDSG). Key compliance obligations include providing clear privacy notices (including access, correction, erasure, restriction, portability, and objection). Controllers must implement appropriate technical and organisational security measures, manage vendors in line with GDPR requirements, and comply with rules for cross-border data transfers, including standard contractual clauses for transfers outside the EU.

Transfers of personal data outside the EU/EEA, such as to Hong Kong or China, require appropriate safeguards (typically Standard Contractual Clauses) and supplementary measures where necessary. Non-compliance with GDPR or BDSG may result in significant administrative fines and reputational risks.

Intellectual Property Law – Trade Marks, Designs, Patents, Copyrights

Registration of trade marks and designs (nationally and EU-wide via IPOs) offers strong protection and fast enforcement (preliminary injunctions). Prior clearance and continuing monitoring are essential to avoid infringement, especially with import goods, branded items, and online sales. Product design and packaging may also benefit from supplementary competition law protection. Counterfeit risk is especially high with cross-border imports; German customs support IP enforcement via border seizures.

Customs and Tax Law

Customs

Import into Germany/EU from non-EU suppliers requires customs clearance, proper classification, origin declaration, and adherence to tariff/schedule requirements. Importers must ensure all compliance (CE, WEEE, packaging, and safety) documents accompany the shipment; incomplete or inaccurate paperwork can lead to delays, penalty assessments, or destruction.

Taxes

Import VAT (Einfuhrumsatzsteuer) is levied; non-EU companies storing goods in Germany/EU may need to register for VAT and comply with OSS/IOSS schemes for e-commerce. Transfer pricing, permanent establishment (PE) risks, and documentation are critical in group structures, transactions with related parties must be on arm's length terms, subject to German/EU scrutiny.

Foreign Trade, Investment Control and Export Law

AWG/AWV & EU Regimes

German and EU law regulate exports, imports, and investments, particularly in sensitive sectors such as defense, energy infrastructure, and dual-use goods. Exports of dual-use items, including technical know-how, software, and equipment, are subject to the reporting and licensing requirements of Regulation (EU) 2021/821. Companies must determine if their products are controlled and, where required, obtain authorization from BAFA (Federal Office for Economic Affairs and Export Control) prior to export. Non-compliance may result in severe penalties. Foreign investment filings may also be necessary, and certain high-tech imports may be refused or subject to security conditions.

All group companies must comply with EU, UN, and national sanctions and embargoes, as well as anti-money laundering and counter-terrorism requirements. Companies are required to maintain detailed export documentation, fulfill reporting and notification duties, ensure staff can identify goods and technologies subject to export restrictions, and implement internal controls to prevent unauthorized transfers. For high-risk or sensitive goods, additional end-use certificates or export permits may be required.

Companies are obligated to keep detailed export documentation and comply with all reporting and notification duties. Staff should be trained in identifying goods and technologies that may fall under export restrictions, and internal controls must be implemented to prevent authorized transfers. For certain high-risk or sensitive goods, additional end-use certificates or export permits may be required.

Platform and Consumer Protection Law

Platform Regulation & DSA

The EU Digital Services Act (DSA) introduces comprehensive requirements for online platforms and marketplace sellers: compliance checks, transparency reporting, controls against illegal content, and rapid response to consumer/reporting complaints. Product recalls, consumer notice obligations, and review transparency standards must be observed by both operators and third-party sellers. Sellers may be required to collaborate with platforms on compliance investigations and supply chain documentation; platforms can suspend non-compliant sellers.

Further Topics/Current Developments

Supply Chain Due Diligence & ESG

The German Supply Chain Due Diligence Act (LkSG), and soon the EU Corporate Sustainability Due Diligence Directive (CS3D), establish obligations for risk management, supplier monitoring, and reporting relating to human rights and environmental standards, applicable (directly or de facto via clients/business partners) depending on size and sector.

Antitrust, Distribution, and Channel Strategy

Companies using multiple e-commerce platforms or hybrid models need to observe German and EU competition law, particularly regarding platform power, self-preferencing, and restrictive practices.

Anti-Money Laundering

Should any group entity engage in payment processing or operate e-wallet/prepaid functions, financial regulatory and anti-money laundering obligations may arise.