OVERVIEW OF LAWS AND REGULATIONS IN THE PRC

This section sets out a summary of the most significant laws and regulations that affect our business activities in the PRC.

Regulations Relating to Automobile Production

According to the Regulations on the Management of Access for New Energy Vehicle Production Enterprises and Products (《新能源汽車生產企業及產品准入管理規定》), promulgated on January 6, 2017, revised on July 24, 2020, and effective as of September 1, 2020, the MIIT is responsible for implementing the admission as well as supervision and management of new energy vehicle manufacturers and products nationwide. The competent authorities of industry and information technology of provinces, autonomous regions and municipalities directly under the Central Government are responsible for the daily supervision and management of new energy vehicle manufacturers and products within their administrative areas, and cooperating with the MIIT in carrying out the relevant work of admission management. The new energy vehicle manufacturers and products that have passed the review are released by the MIIT through an announcement. New energy vehicle manufacturers shall produce new energy vehicle products in accordance with the licensing requirements specified in the announcement. New energy vehicle manufacturers shall continuously meet the relevant requirements for admission review and production consistency to ensure the normal operation of the new energy vehicle product safety assurance system.

Regulations Relating to Automobile Sales and Protection of Consumer Rights and Interests

According to the Measures for the Administration of Automobile Sales (《汽車銷售管理辦法》) promulgated by the MOFCOM on April 5, 2017 and effective on July 1, 2017, local competent commerce departments at or above the county level shall supervise and manage the automobile sales and relevant activities of providing relevant services within their respective administrative regions. Automobile suppliers and dealers shall file the basic information through the National Automobile Circulation Information Management System of the competent commerce department of the State Council within 90 days after obtaining their business licenses. Where there is any change to the information, its update shall be made within 30 days from the date of the change. Automobile suppliers and dealers shall sell automobiles, accessories, and other related products that comply with the relevant national provisions and standards. Dealers shall make clear in their business premises the prices of the products sold and the standard charges for various services and shall not increase the price of sales nor charge additional fees beyond the marked price. In respect of the vehicle products for sales, dealers shall also make clear the quality assurance, warranty services and other after-sales service policies that consumers need to know.

According to the Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) promulgated by the SCNPC on October 31, 1993, amended on October 25, 2013, and effective on March 15, 2014, business operators shall ensure that the commodities or services they provide meet the requirements on personal and property safety. For commodities and services which may endanger personal or property safety, business operators shall provide consumers with true explanations and clear warnings, explaining and indicating the correct methods of using commodities or receiving services and the methods for preventing damage. After discovering any defects which may endanger personal or property safety in their provided commodities or services, business operators shall immediately report to the relevant administrative departments and inform consumers and take measures such as cessation of sale, issuance of a warning, recall, harmless treatment, destruction and cessation of production or service. Business operators who fail to comply with consumer protection regulations shall bear civil or criminal liability in accordance with law.

Regulations Relating to Product Quality and Recall of Defective Automobile Products

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993, latest amended on December 29, 2018, and effective on the same day, the market regulatory authorities of the State Council are responsible for the supervision and administration of the quality of products of the whole country. Sellers shall take necessary measures to maintain the quality of the products they sell and are prohibited from selling products that have been explicitly eliminated and banned from sale by the State, as well as expired or deteriorated products. The products shall have functional performance and the adopted product standards shall be indicated on the products or their packaging. If a defect in the product causes damage to the person or property of others, the victim may claim compensation from the producer of the product or from the seller of the product. Producers or sellers who produce or sell substandard products will be ordered to cease production and sales, the illegally produced or sold products will be confiscated and a fine will be imposed. If there is any illegal income, the illegal income will also be confiscated. If the circumstances are serious, the business license shall be revoked. If a crime is constituted, criminal responsibility shall be investigated in accordance with law.

According to the Regulations on the Administration of the Recall of Defective Automobile Products (《缺陷汽車產品召回管理條例》) promulgated by the State Council on October 22, 2012 and amended on March 2, 2019, the product quality supervision department of the State Council shall be responsible for the national supervision and administration of the recall of defective automobile products. If an automobile producer learns that an automobile product may be defective, it shall immediately organize an investigation and analysis and truthfully report the investigation and analysis results to the product quality supervision department of the State Council. If an automobile producer confirms that the automobile products are defective, it shall immediately stop producing, selling and importing defective automobile products, and implement a recall of all defective automobile products. At the same time, a recall plan shall be formulated and filed with the product quality supervision and administration department of the State Council. The filed recall plan with amendments shall be re-filed. If the producer fails to implement a recall, the product quality supervision department of the State Council shall order the recall. Automobile producers who conceal defects, refuse to recall after being ordered to do so, or fail to stop production, sales, or import of defective automobile products will be ordered to make corrections and fined. If there is any illegal income, the illegal income will also be confiscated. If the circumstances are serious, the relevant license shall be revoked by the licensing authority.

According to the Measures for the Implementation of the Regulations on the Administration of the Recall of Defective Automobile Products (《缺陷汽車產品召回管理條例實施辦法》) published on November 27, 2015 by the AQSIQ and amended on October 23, 2020 by the SAMR, the SAMR shall be responsible for the supervision and administration of the recall of defective automobile products nationwide. A producer implementing a recall shall formulate a recall plan and file it with the SAMR. At the same time, it shall notify the business operator in an effective manner. Producers modifying the recall plan that has already been filed shall file it again with the SAMR and submit explanatory materials. Producers shall publish information on defective automobile products and relevant information on recalls through newspapers, websites, radio, television and other means that are easily accessible to the public, and inform car owners of the defects in the automobile products, emergency response measures to avoid damage and measures taken by the producers to eliminate defects.

For quality standards of vehicles in the domestic market, the generally applicable standards include: Quality Management Systems — Requirements (ISO 9001:2015), Quality Management Systems — Fundamentals and Vocabulary (ISO 9000:2015), Quality Management System Standard — Requirements for the Application of ISO 9001:2015 for Automotive Production and Relevant Service Part Organizations (IATF 16949:2016), Implementation Rules for Compulsory Product Certification — Automobiles (CNCA-C11-01:2020), Road Vehicles — Functional Safety (ISO 26262:2018), Automotive Software Process Improvement and Capability Determination

(Automotive SPICE), and Capability Maturity Model Integration (CMMI). These standards, taken together, establish an automotive quality standard system by addressing the fundamental framework for quality management, functional safety and software development, as well as mandatory requirements for market access.

Regulations Relating to NEPV energy consumption standards and vehicle emission standards

The main NEPV energy consumption standards and vehicle emission standards in the domestic market include the following:

(1) GB 18352.6-2016, Limits and Measurement Methods for Emissions from Light-Duty Vehicles (CHINA 6) (《輕型汽車污染物排放限值及測量方法(中國第六階段)》). As the primary emissions standard, this is the most stringent mandatory emissions standard for light-duty vehicles in China. Based on tightened limits, this standard introduces real driving emission (RDE) tests, strengthening manufacturers' production conformity management and in-use vehicle supervision.

(2) GB 18285-2018, Limits and Measurement Methods for Emissions from Gasoline Vehicles (Two-Speed Idle and Simple Driving Mode Conditions) (《汽油車污染物排放限值及測量方法(雙怠速法及簡易工況法)》). This standard specifies the test methods for annual in-use vehicle emissions inspections, providing the basis for in-use vehicle supervision and testing.

(3) GB 19578-2024, Fuel Consumption Limits for Passenger Cars (《乘用車燃料消耗量限值》). This standard is the latest energy consumption standard in China. It specifies the type approval application process, fuel consumption measurement methods, determination and recording of type approval values, fuel consumption limit requirements, production conformity provisions, and criteria for extension of approvals for passenger cars. Gasoline-hybrid vehicles are applicable to this standard.

(4) GB 36980.1-2025, Energy Consumption Limits for Electric Vehicles — Part 1: Passenger Cars (《電動汽車能量消耗量限值第1部分:乘用車》). This standard applies to M_1 class pure electric vehicles with a maximum gross vehicle mass not exceeding 3,500 kg. It is incorporated into the technical requirements for new energy vehicles eligible for vehicle purchase tax reduction or exemption for the years 2026-2027 and represents the world's first mandatory standard for electric vehicle electricity consumption limits.

(5) GB 22757.2-2023, Energy Consumption Label for Light-Duty Vehicles — Part 2: For Off-vehicle Charging Hybrid Electric Vehicles and Pure Electric Vehicles (《輕型汽車能源消耗量標識第2部分:可外接充電式混合動力電動汽車和純電動汽車》). This standard specifies the content, format, and labeling requirements for the energy consumption labels of off-vehicle charging hybrid electric vehicles and pure electric vehicles.

Regulations Relating to Compulsory Product Certification

Pursuant to the Notice on Further Regulating the Export Order of Automobile and Motorcycle Products (《關於進一步規範汽車和摩托車產品出口秩序的通知》) promulgated by MOFCOM, MIIT, GACC, and the Certification and Accreditation Administration of the People's Republic of China, effective as of September 6, 2012, obtaining valid China Compulsory Certification (CCC Certification) is a prerequisite for automobile production enterprises to acquire automobile export licenses. Production enterprises that have obtained automobile export licenses may, based on their enterprise classification, authorize a specified number of export operating enterprises (including import and export companies affiliated with enterprise groups) to export their products; both parties shall expressly specify in the authorization agreement the joint and several legal liabilities for quality assurance and after-sales service of exported products.

Pursuant to the Administrative Regulations on Compulsory Product Certification (2022 Amendment) (《強制性產品認證管理規定(2022年修訂)》) that was promulgated by the SAMR and became effective on November 1, 2022, and the Catalogue of Descriptions and Table of Definitions for Compulsory Product Certification (2023 Amendment) (《強制性產品認證目錄描述與界定表(2023年修訂)》) issued by the SAMR on August 10, 2023, the SAMR is in charge of the supervision and quality certification of automobiles. The motor vehicles and their safety accessories, motor vehicle tires and safety glass in the absence of the compulsory product certificate and the mandatory certification mark of China, shall not leave the factory, export or put on sale.

Pursuant to the Administrative Regulations on Compulsory Product Certification (2022 Amendment) (《強制性產品認證管理規定(2022年修訂)》), which does not distinguish between product certification requirements for overseas sales and domestic sales, producers of products listed in the compulsory product certification catalogue, or sellers or importers thereof (hereinafter collectively referred to as "Certification Entrusting Parties"), shall engage certification bodies designated by SAMR (hereinafter referred to as "Certification Bodies") to certify products they produce, sell, or import. Certification Entrusting Parties shall provide relevant technical materials to Certification Bodies in accordance with the certification rules for specific products. Upon accepting the certification engagement, Certification Bodies shall arrange product type testing and factory inspection in accordance with the certification rules for specific products. Upon completion of product type testing and factory inspection, Certification Bodies shall issue certification certificates to Certification Entrusting Parties within 90 days from the date of accepting the certification engagement, provided that the products meet certification requirements.

Favorable Policies on New Energy Vehicles in China

Government Subsidies for New Energy Vehicle Purchasers

The Notice of Further Effectively Completing the Work Concerning Trade-in of Vehicles (《關於進一步做好汽車以舊換新有關工作的通知》), which was jointly promulgated by the MOFCOM and other six ministries and commissions on August 15, 2024 and became effective on the same day, restates the aforementioned increased subsidy standard, increases the central financial support, optimizes the vehicle scrapping renewal review and allocation regulation process and emphasizes on strengthening supervision and administration. For eligible subsidy applications submitted within the window from April 24, 2024 to January 10, 2025 (including applications for which the subsidy granting has been completed), subsidies shall be granted at the increased standard set out in this Notice; for applications for which the subsidies have been granted according to the former standard, the difference shall be made up according to the standard specified in this notice.

According to the Notice on Effectively Completing the Work Concerning Trade-in of Vehicles in 2025 (《關於做好2025年汽車以舊換新工作的通知》) jointly issued by the MOFCOM and other seven ministries and commissions on January 14, 2025 and effective on the same day, on the one hand, the scope of automobile scrapping and replacement support has been further expanded to include the purchase of new energy passenger vehicles. Additionally, the registration time for passenger NEV eligible for scrapping has been extended by eight months to December 31, 2018, while other models have been extended by one year. On the other hand, the subsidy standard for vehicle replacement has been improved. Individual consumers who transfer a passenger vehicle registered under their own name and purchase a new one will receive subsidy support for vehicle replacement, and the maximum subsidy for purchasing a single new energy passenger vehicle shall not exceed RMB15,000 in 2025.

Pursuant to the Notice on Launching Pilot Reforms for Automobile Circulation and Consumption (《關於開展汽車流通消費改革試點工作的通知》) jointly issued by the MOFCOM and other seven ministries and commissions on January 20, 2025, and effective immediately, pilot reforms for automobile circulation and consumption will be conducted during the period of 2025-2027. The initiative aims to stimulate vitality in the automotive consumer market and promote high-quality development of the automobile industry. The reforms primarily focus on five key areas: (i) stabilizing and expanding automobile consumption; (ii) promoting the efficient circulation of used vehicles; (iii) cultivating the environment of automobile culture; (iv) enhancing the recycling system for end-of-life vehicles; and (v) advancing the digital circulation and consumption of automobiles.

According to the Development Plan for the New Energy Vehicle Industry (2021-2035) (《新能源汽車產業發展規劃（2021-2035年）》) which was promulgated and implemented by the General Office of the State Council on October 20, 2020, designates deepening supply-side structural reform as its central guiding principle. It emphasizes the strategic direction of electrification, connectivity and intelligence, and upholds the principles of market orientation, innovation-driven growth, coordinated development and openness to foster the industry's high-quality and sustainable advancement. The plan sets forth two phased objectives: by 2025, to significantly enhance the market competitiveness of new energy vehicles through breakthroughs in key technologies; and by 2035, to elevate core technologies to an internationally advanced level and achieve comprehensive development across all related fields.

Reduction and Exemption of Vehicle Purchase Tax

In the Announcement on the Exemption of Vehicle Purchase Tax on New Energy Vehicles (《關於延續新能源汽車免徵車輛購置稅政策的公告》) jointly promulgated by the MOF, the SAT and the MIIT on September 18, 2022 and put into effect on the same date, it is expressively stated that the tax exemption period for purchase of new energy vehicles was further extended to December 31, 2023.

In the Announcement on Continuing and Optimizing the Vehicle Purchase Tax Reduction and Exemption Policy for New Energy Vehicles 《關於延續和優化新能源汽車車輛購置稅減免政策的公告》jointly promulgated by the MOF, the SAT and the MIIT on June 19, 2023 and put into effect on the same date, it is expressively stated that the purchase tax exemption period for purchase of new energy vehicles was further extended to December 31, 2025, of which the tax exemption amount for each new energy passenger vehicle is not more than RMB30,000; and vehicle purchase tax for new energy vehicles with purchase dates from January 1, 2026 to December 31, 2027 is reduced by half, of which the tax reduction amount for each new energy passenger vehicle is not more than RMB15,000.

According to the Announcement on Adjusting the Technological Requirements for New Energy Vehicle Products for Reduction and Exemption of Vehicle Purchase Tax (《關於調整減免車輛購置稅新能源汽車產品技術要求的公告》) jointly promulgated by the MOF, the SAT, the MIIT and the MOST on December 7, 2023, the period from January 1, 2024 to May 31, 2024 is the transition period. From January 1, 2024, the models listed in the Catalogue of New Energy Vehicle Models Exempt from Vehicle Purchase Tax (《免徵車輛購置稅的新能源汽車車型目錄》) before December 31, 2023 are still valid will be automatically transferred to the Tax Reduction and Exemption Catalogue (《減免稅目錄》). For relevant models, there is a requirement to upload tax reduction and exemption identifiers, power change mode identifiers, power change mode models, fuel cell models, etc. in accordance with the requirements of the announcement to supplement the corresponding supporting materials. Since 2024, the MIIT has issued the 6th, 7th and 13th batches of the Catalogue of New Energy Vehicle Models for Reduction and Exemption of Vehicle Purchase Tax (《減免車輛購置稅的新能源汽車車型目錄》), and many models of AVATR, including the AVATR11, AVATR12, AVATR07 and AVATAR06, are included in this catalogue and are entitled to enjoy the relevant preferential policies of reduction and exemption of vehicle purchase tax.

Exemption of Vehicle and Vessel Tax

According to the Notice of Preferential Vehicle and Vessel Tax Policies for Energy-saving and New-energy Vehicles and Vessels (《關於節能、新能源車船享受車船稅優惠政策的通知》) jointly promulgated by the MOF, the MOT the SAT and the MIIT on July 10, 2018 and effective from the same date, purely electric commercial vehicles, plug-in (including range-extended) hybrid vehicles and fuel cell commercial vehicles are exempt from vehicle and vessel tax, whereas purely electric passenger vehicles and fuel cell passenger vehicles are not subject to vehicle and vessel tax. The Catalogue of NEV Models Enjoying Vehicle and Vessel Tax Reduction and Exemption (《享受車船稅減免優惠的節約能源使用新能源汽車車型目錄》) jointly promulgated by the MIIT and the SAT from time to time lists the NEV models eligible for enjoying vehicle and vessel tax reduction and exemption. The MIIT has issued the 62nd, 63rd and 69th batches of the Catalogue of NEV Models Enjoying Vehicle and Vessel Tax Reduction and Exemption, and many models of AVATR, including the AVATR11, AVATR12, AVATR07 and AVATAR06, are included in this catalogue and are exempted from vehicle and vessel tax.

All the above favorable policies apply to the Group's vehicles.

Regulations Relating to Cybersecurity and Data Security

On October 28, 2025, the SCNPC promulgated the Cybersecurity Law of the PRC (2025 Revision) (《中華人民共和國網絡安全法(2025修訂)》), which became effective on January 1, 2026. It defines "networks" as systems composed of computers or other information terminals and related equipment that follow certain rules and procedures for information collection, storage, transmission, exchange, and processing, and "network operators" as network owners, administrators, or network service providers. Network operators are required to: (i) comply with tiered cybersecurity protection obligations, including establishing internal management systems, appointing cybersecurity officers, adopting technical measures against cyber risks, and maintaining logs of network operations; (ii) establish emergency response plans and report cybersecurity incidents to authorities; and (iii) provide technical assistance to public security and national security authorities in accordance with the law. Non-compliance may lead to warnings, fines, suspension of operations, or revocation of business licenses.

According to the Data Security Law of the PRC (《中華人民共和國數據安全法》) promulgated by the SCNPC on June 10, 2021, which became effective on September 1, 2021, or the Data Security Law, data processing activities (including the collection, storage, use, processing, transmission, provision and disclosure of data) shall be carried out in accordance with the provisions of laws and regulations, a whole-process data security management system should be established and improved, data security education and training should be organized and carried out and corresponding technical measures and other necessary measures should be taken to ensure data security. The use of the internet and other information networks to carry out data processing activities shall fulfill the aforementioned data security protection obligations based on the network security hierarchical protection system. Processors of important data should specify the person responsible for data security and management agencies to implement data security protection responsibilities.

Pursuant to the Cyber Security Review Measures (2021) (《網絡安全審查辦法(2021)》) promulgated by the CAC, the MIIT and certain authorities on December 28, 2021 and put into effect on February 15, 2022, operators of critical information infrastructure purchasing network products and services and online platform operators carrying out data processing activities that affect or may affect national security, shall conduct cyber security review. In addition, an online platform operator in possession of more than one million users' personal information must report to the cyber security review office for a cyber security review if it intends to list its securities abroad. Additionally, relevant governmental authorities in the PRC may initiate cybersecurity review if they determine an internet platform operator's network products or services or data processing activities affect or may affect national security. To ascertain whether we are required to initiate a submission for cybersecurity review in connection with the Listing under the Cyber Security Review Measures, on September 16, 2025, we made a real-name telephone consultation with the China Cybersecurity Review, Certification, and Market Regulation Big Data Center (中國網絡安全審查認證和市場監管大數據中心), the authority responsible for accepting applications for cybersecurity review and conducting formality review under the guidance of the Cybersecurity Review Office of the CAC, and received feedback that the Cyber Security Review Measures requires a company to initiate a submission for cybersecurity review if, among other factors, it aims to list abroad, and a proposed listing in Hong Kong is not deemed as listing abroad. Based on the foregoing consultation, we are not subject to a cybersecurity review in connection with the Listing under the Cyber Security Review Measures.

According to the Critical Information Infrastructure Protection Regulations (《關鍵信息基礎設施安全保護條例》) promulgated by the State Council on July 30, 2021 and effective from September 1, 2021, critical information infrastructure refers to network facilities and information systems in vital industries and fields such as public communication and information services, energy, transportation, water conservancy, finance, public services, e-government and science, technology, and defense. These infrastructures could seriously jeopardize national security, the national economy, people's livelihood and public interests if they are damaged or if people's data is leaked. The Critical Information Infrastructure Protection Regulations stipulate that the relevant competent authorities and supervisory bodies in these critical sectors are responsible for ensuring the security protection of critical information infrastructure. These authorities must organize the identification of such infrastructure and notify operators and public security departments in a timely manner. Operators recognized as critical information infrastructure operators must fulfill strict responsibilities to ensure security.

According to the Regulation on the Administration of Cyber Data Security (《網絡數據安全管理條例》) promulgated by the State Council on September 24, 2024, and effective from January 1, 2025, the Cyber Data Security Regulation sets forth specific requirements for data processors, including the obligation for internet data processors to apply for a cybersecurity review if their data processing activities impact or may impact national security. However, the Regulation does not provide further clarification on what constitutes "impact or may impact national security", creating some uncertainty regarding whether cybersecurity reviews will be applicable under the Cyber Data Security Regulation.

Regulations Relating to Personal Privacy and Personal Information Protection

Pursuant to the PRC Civil Code (《中華人民共和國民法典》) adopted by the NPC on May 28, 2020, and effective on January 1, 2021, the personal information of natural persons is protected by law. Any organization or individual must legally obtain the relevant personal information of others, must ensure the security of the relevant information and must not illegally collect, use, handle or transmit the personal information of others, nor illegally trade, provide or disclose the personal information of others.

According to the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) ("Personal Information Protection Law") adopted by the SCNPC on August 20, 2021, and put into effect on November 1, 2021, no organization or individual may infringe upon natural persons' rights and interests relating to personal information. The Personal Information Protection Law clarifies that personal information shall be handled under the principles of lawfulness, legitimacy, necessity and good faith and shall be handled for a clear and reasonable purpose, directly related to the handling purpose and in a manner that has the minimum impact on the rights and interests of individuals, and limited to the minimum scope necessary for achieving the handling purpose. All organizations and individuals are prohibited from engaging in the illegal collection, use, processing or transmission of the personal information of others as well as illegal trading, disclosure or provision of such data. The processing of personal information shall not endanger national security or public interest.

In addition, the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on Lawfully Punishing Criminal Activities Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》) issued in 2013 and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) issued on May 8, 2017, and made effective on June 1, 2017, clearly stipulate the conviction and sentencing standards for crimes related to infringement of personal information.

Regulations Relating to Intellectual Property Rights

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC and most recently amended on October 17, 2020, which became effective on June 1, 2021, as well as the Implementation Rules for the Patent Law of the PRC (《中華人民共和國專利法實施細則》), there are three types of patents, including "invention", "utility model" and "design". The validity period of a patent for inventions is 20 years, for utility models is 10 years, and for designs is 15 years, in each case starting from the date of application. The PRC patent system adopts a "first come, first file" principle, which means that where two or more persons file a patent application for the same invention, a patent will be granted to the person who applies first.

Copyrights

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020, and effective on June 1, 2021, copyrights include personal rights such as the right of publication and that of attribution, as well as property rights such as the right of reproduction and that of distribution. Copyright protection extends to internet activities, products and software products transmitted through the internet. Reproducing, distributing, performing, projecting, broadcasting, compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided under the Copyright Law of the PRC, shall constitute infringement of copyrights. The infringer shall undertake to cease the infringement, eliminate the impact, offer an apology and compensate for damages.

Pursuant to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 and the Regulation on Computers Software Protection (《計算機軟件保護條例》) amended by the State Council on January 30, 2013 and effective on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in the PRC and recognizes the China Copyright Protection Centre as the software registration organization. The China Copyright Protection Centre shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Trademarks

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC and most recently amended on April 23, 2019, which became effective on November 1, 2019, and the Implementation Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), the laws and regulations prescribe the processes of registration, de-registration, renewal, alteration, transfer and invalidation of a trademark. According to the aforesaid legislations, the registration of a trademark shall be valid for ten years from the date of approval. If there is a continuous need for the use of the trademark, a renewal process shall be initiated within

12 months before the expiry of the registration. If the renewal process is not initiated within the stipulated period, a grace period of six months may be granted for the filing of the renewal application. Each renewal of trademark registration shall be valid for ten years from the date following the expiration of the previous registration.

Regulations Relating to Foreign Exchange and Overseas Investment

Regulations on Foreign Exchange

The principal regulation governing foreign currency exchange in the PRC is the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and most recently amended on August 5, 2008. According to these regulations, international payments in foreign currencies and transfers of foreign currencies under current account shall not be subject to any state control or restriction. Foreign currency transactions under capital account, such as transactions incurred under direct investment or capital contribution, will be subject to restrictions and require approvals from, or registration with, the foreign exchange administrative authorities, i.e., the SAFE or its local counterparts.

The funds raised by domestic companies through overseas listings may be repatriated to China or deposited overseas, provided that the intended use of the funds shall be consistent with the contents of the relevant documents and other public disclosure documents. However, according to the Notice by the People's Bank of China and the State Administration of Foreign Exchange on Issues Concerning the Management of Funds for Domestic Enterprises Listing Abroad (《中國人民銀行、國家外匯管理局關於境內企業境外上市資金管理有關問題的通知》) (the "New Notice Concerning the Management of Funds"), promulgated by the PBOC and the SAFE on December 24, 2025 and effective from April 1, 2026, which will replace the Notice Concerning the Management of Funds, domestic enterprises conducting overseas listings shall, within 30 working days from the first trading day of the overseas listing or after completion of the over-allotment, apply for overseas listing registration at a bank within the province/municipality with independent planning status where they are registered. Funds raised by domestic enterprises through overseas listings shall, in principle, be repatriated to China in a timely manner. If such funds are retained overseas for purposes such as overseas direct investment, overseas securities investment, or overseas lending, approval or filing documents from the competent business authorities must be obtained before the completion of the listing or the over-allotment, and relevant cross-border fund management regulations must be complied with.

In December 2023, the SAFE issued the Notice on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) (the "SAFE Circular 28"), which removed the restriction on domestic equity investment by non-investment foreign-invested enterprises (FIEs) using their capital funds. It permits non-investment FIEs to conduct domestic equity investment with their capital funds in accordance with the law, provided that the investment project within the PRC is authentic and compliant, and does not violate the Negative List.

Furthermore, according to the Notice on Optimizing Foreign Exchange Management to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支援涉外業務發展的通知》) (the "SAFE Circular 8") issued on April 10, 2020, provided that the use of funds is authentic and compliant with current regulations, eligible enterprises are permitted to use receipts under capital accounts (such as capital funds, foreign debt, and proceeds from overseas listings) for domestic payments without providing authenticity certification materials to the bank stroke by stroke beforehand. Local SAFE branches shall strengthen monitoring, analysis, and ongoing and ex-post supervision. Handling banks shall conduct ex-post sampling inspections in accordance with relevant regulations.

Regulations on Overseas Direct Investment

According to the Provisions on the Foreign Exchange Administration of Overseas Direct Investment by Domestic Institutions (《境內機構境外直接投資外匯管理規定》), which was promulgated by SAFE on July 13, 2009 and came into effect on August 1, 2009, enterprises in Chinese mainland may apply for foreign exchange registration for overseas direct investment after obtaining approval for overseas investment. In addition, according to the Notice on Further Simplifying and Improving the Policies for Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated by SAFE on February 13, 2015 and came into effect on June 1, 2015, the administrative approval for foreign exchange registration for overseas direct investment has been canceled, and banks are entitled to directly review and conduct the foreign exchange registration for overseas direct investment.

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) which was issued by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014, the MOFCOM and the commerce departments at provincial levels shall subject the overseas investment of enterprises to recordation or confirmation management, depending on the actual circumstances of investment. Overseas investment involving any sensitive country or region or any sensitive industry shall be subject to confirmation management. Overseas investment under other circumstances shall be subject to recordation management.

Pursuant to the Administrative Measures for Overseas Investment by Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and made effective on March 1, 2018, the investing activities of enterprises in Chinese mainland such as acquiring overseas ownerships, controlling rights, operating and management rights and other relevant interests by way of investing assets and interests or providing financing and guarantees to control its overseas enterprises, either directly or indirectly, are required to obtain approval or filing with the NDRC in accordance with the relevant conditions of the overseas investment projects. Overseas investment projects that involve sensitive countries and regions or sensitive industries shall be subject to approval management by the NDRC and non-sensitive overseas investment projects shall be subject to filing management. For non-sensitive projects of US$300 million or above invested by local enterprises in Chinese mainland or carried out by overseas enterprises controlled by them, the investors shall file with the NDRC, and for non-sensitive overseas investment projects, of which the investment amount of investors in Chinese mainland is less than US$300 million (exclusive), the investors shall file with the provincial counterpart of the NDRC.

Regulations Relating to Import and Export of Goods and Technology

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) formulated by the SCNPC on May 12, 1994 and last amended on December 27, 2025, the State administers goods subject to import or export restrictions through quotas, licenses, and other means; and administers technologies subject to import or export restrictions through licensing. Goods and technologies subject to quota or license administration may be imported or exported only upon approval by the competent foreign trade department of the State Council or, jointly with other relevant departments of the State Council, as prescribed by the State Council.

Pursuant to the Catalogue of Goods Subject to Export License Administration (2026) issued by MOFCOM and GACC on December 30, 2025, and effective as of January 1, 2026, automobiles are goods subject to export license administration. Foreign trade operators exporting automobiles shall apply to MOFCOM or local commercial authorities entrusted by MOFCOM for the Export License of the People's Republic of China (hereinafter referred to as the "Export License"), and shall complete customs clearance formalities with the Export License. The Group has obtained the requisite Export Licenses for automobile exports.

According to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987, and subsequently amended on April 29, 2021, effective from the same date, the General Administration of Customs (the "**Customs**") of the PRC is vested with the authority for the supervision and administration of entry and exit points. Under the framework of pertinent laws and administrative regulations, the Customs Law exercises its jurisdiction over various aspects, including the inspection and regulation of vehicles, goods, luggage, postal articles and other items entering and departing the country. This mandate encompasses the assessment and collection of customs duties, taxes and fees, as well as the prevention and detection of smuggling activities, compilation of customs statistics and execution of related customs procedures.

Pursuant to the Provisions of the Customs of the PRC on the Administration of Registration of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) promulgated by the GACC on November 19, 2021 and effective from January 1, 2022, "customs declaration entities" refer to the consignees or consignors of imported or exported goods or customs declaration enterprises officially registered at the Customs. An enterprise applying for registration shall obtain the market entity qualification. The registration of customs declaration entities shall remain valid indefinitely, while a temporary registration is valid for one year and may be renewed upon expiration.

According to the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) which was promulgated by the SCNPC on February 21, 1989 and implemented on August 1, 1989, and last revised on April 29, 2021, and the Regulations for the Implementation of the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》) which was promulgated by the State Council on August 31, 2005 and implemented on December 1, 2005, and last revised on March 29, 2022, the GACC is responsible for the inspection of import and export commodities. The entry- exit inspection and quarantine authorities shall conduct inspections on the import and export commodities listed in the catalogue and other import and export commodities that shall be subject to the inspection of the entry-exit inspection organs as prescribed by laws and administrative regulations. For the import and export commodities other than those that are subject to statutory inspection by the entry-exit inspection and quarantine authorities as mentioned above, the entry-exit inspection and quarantine authorities may conduct random inspections in accordance with state regulations. No import commodity subject to statutory inspection that has not been inspected could be sold or used. No export commodity subject to statutory inspection that has not been inspected or fails to pass the inspection could be exported.

Regulations on Taxation

Enterprise Income Tax (EIT)

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated by the SCNPC on March 16, 2007, which last amended on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) amended by the State Council and came into effect on January 20, 2025, enterprises shall be classified into resident enterprises and non-resident enterprises. The income tax rate of resident enterprises is 25%, while the income tax rate of non-resident enterprises is 20%. Enterprise income tax shall be payable by a resident enterprise for the income derived from or accruing in or outside the PRC. Enterprise income tax shall be payable by a non-resident enterprise with office or premises within the territory of the PRC for the income derived from or accruing in the PRC by its office or premises, and the income derived from or accruing outside the PRC for which its office or premises has a de facto relationship. For high and new technology enterprises that need key support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.

Value-Added Tax (VAT)

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and last amended and implemented on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 15, 1993, last amended on October 28, 2011 and implemented on November 1, 2011 (collectively, the "VAT Law"), all taxpayers selling goods, providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods within the PRC shall pay value-added tax. Unless provided otherwise, for general VAT taxpayers selling services and intangible assets, the value-added tax rate is 6%.

On December 25, 2024, the SCNPC promulgated the Value-added Tax Law (《中華人民共和國增值稅法》), which will come into effect on January 1, 2026 and replace the Provisional Regulations on Value-added Tax of the PRC. According to the Value-added Tax Law, entities and individuals (including individual businesses) engaged in the sale of goods, services, intangible assets and immovables and importation of goods within the territory of the PRC are VAT payers and shall pay VAT. Taxpayers that sell goods are subject to a tax rate of 13% and taxpayers that sell services or intangible assets are subject to a tax rate of 6%. Unless otherwise specified in the Value-added Tax Law, taxpayers making taxable transactions shall calculate and pay VAT by offsetting input tax against output tax according to the general tax calculation method and calculate the VAT payable.

The Notice of the MOF and the SAT on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated by the MOF and SAT on April 4, 2018 and came into effect on May 1, 2018, adjusts the applicable rate of VAT and stipulates that for a taxpayer who engages in a taxable sales activity for VAT purposes or importation of goods, the previous applicable tax rates of 17.0% and 11.0% would be adjusted to 16% and 10%, respectively.

Consumption Tax

Pursuant to the Interim Regulations on Consumption Tax of the PRC (《中華人民共和國消費稅暫行條例》), which were promulgated by the State Council on December 13, 1993, and last amended on November 10, 2008 and implemented on January 1, 2009, entities and individuals engaged in the production, commissioned processing or importation of consumer goods listed under this regulation, as well as other entities and individuals designated by the State Council that sell consumer goods listed under these regulations, shall be subject to consumption tax in accordance with these regulations. REEVs fall within the consumer goods listed in this regulation and are therefore subject to consumption tax upon production by the consignors and manufacturers thereof. The taxes driven by delivery of REEVs starting from September 2024 constitute consumption tax. As the consignor, the Company entrusts Changan Automobile with the processing of REEVs and accordingly incurs consumption tax and surcharges.

Regulations on Labor

The Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and last amended on December 29, 2018 and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on June 29, 2007, effective from January 1, 2008, and last amended on December 28, 2012 and effective on July 1, 2013 stipulate the relationship between the employers and the employees and specifies the terms and conditions of the labor contracts.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, effective from July 1, 2011, and last amended on December 29, 2018, the Provisional Regulations for the Collection and Payment of Social Insurance

Premiums (《社會保險費徵繳暫行條例》) issued by the State Council on January 22, 1999 and last amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) issued by the State Council on April 3, 1994, and amended on March 24, 2002 and March 24, 2019, respectively, employers are required to pay social insurance premiums such as basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance for their employees, and contribute to housing provident funds. If the employer fails to pay the housing fund within the prescribed time, it may be ordered to pay within a certain period of time, and if it still fails to pay, compulsory enforcement by the court can be applied.

Pursuant to the Second Interpretation on Several Issues Concerning the Application of Law in the Trial of 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)》) issued by the PRC Supreme People's Court on July 31, 2025, which became effective on September 1, 2025, if an employer fails to make mandatory social insurance contributions in accordance with applicable laws for an employee, such employee is entitled to unilaterally terminate the labor contract and demand statutory economic compensation. In addition, the judicial interpretation further clarifies that any agreement between an employer and an employee to waive mandatory social insurance contributions, or any undertaking by an employee that such contributions need not be paid, shall be deemed null and void.

Regulations Relating to Filing of Overseas Listing by Domestic Enterprises

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC on February 17, 2023 and effective from March 31, 2023, a new filing regime has been introduced which requires PRC domestic companies to complete a filing with the CSRC for their direct or indirect overseas securities offerings and listings by submitting materials on key compliance matters. The Trial Measures provide that overseas securities offerings and listings are expressly prohibited under any of the following circumstances: (i) such securities offerings and listings are expressly prohibited by laws and regulations; (ii) the proposed securities offerings and listings may endanger national security as reviewed and determined by competent authorities under the State Council; (iii) the domestic company, its controlling shareholder(s), or its actual controller has committed any crime including corruption, bribery, embezzlement, misappropriation of property or disrupting the order of the socialist market economy within the past three years; (iv) the domestic company is under investigation for suspected criminal offenses or major violations of laws and regulations and no definitive conclusion has been reached; or (v) there are material ownership disputes regarding equity held by the domestic company's controlling shareholder(s) or other shareholder(s) controlled by the controlling shareholder(s) and/or the actual controller. As advised by our PRC Legal Advisor, we do not fall within any of the aforementioned circumstances that would prohibit us from conducting an overseas listing.

According to the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) jointly promulgated by the CSRC and three other government authorities on February 24, 2023 and effective from March 31, 2023, where a domestic company provides or publicly discloses any documents or materials involving state secrets or working secrets of state organs to securities companies, securities service institutions, overseas regulatory authorities or other entities and individuals, or provides or publicly discloses such documents or materials through its overseas listing entities, it shall obtain approval from the competent authority with examination and approval power and file with the secrecy administration department at the same level. Domestic companies that provide accounting archives or copies thereof to securities companies, securities service institutions or overseas regulatory authorities shall complete the relevant procedures in accordance with applicable regulations. Working papers produced within the PRC by securities companies and securities service institutions providing services for the overseas offering and listing of domestic companies shall be kept within the territory of the PRC, and any cross-border transfer of such working papers shall go through the examination and approval procedures as required under the relevant regulations.

H Share Full Circulation

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》) promulgated by the CSRC on November 14, 2019 and amended on August 10, 2023, shareholders of domestic unlisted shares, subject to compliance with applicable laws and regulations and policies on state-owned asset administration, foreign investment, and industry regulation, may determine through consultation the number and proportion of shares to be converted into circulating H-shares, and entrust the H-share listed company to handle the filing procedures with the CSRC. Domestic joint stock limited companies that have not been listed on any stock exchanges may apply for the "full circulation" of their H-shares in conjunction with their overseas initial public offering.

According to the Measures for Implementation of H-share "Full Circulation" Business (《H股"全流通"業務實施細則》) jointly promulgated by the CSDC and the Shenzhen Stock Exchange on December 31, 2019, these rules apply to business activities including cross-border share transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, nominal holder services and other related operations under the H-share "full circulation" program.

According to the Guidelines to the Program for "Full Circulation" of H-shares (《中國證券登記結算有限責任公司深圳分公司H股"全流通"業務指南》) amended by the Shenzhen Branch of the CSDC and became effective on June 30, 2025, these guidelines apply to business preparation, cross-border share transfer registration and overseas centralized custody, initial maintenance and subsequent changes of domestic shareholding details, corporate actions, clearing and settlement, and risk management measures.

OVERVIEW OF LAWS AND REGULATIONS IN GERMANY

Regulations Relating to Intellectual Property Rights

Patents

In Germany, AVATR may protect new and inventive technical inventions that are industrially applicable by national German patents under the German Patent Act (*Patentgesetz*). German patents are granted by the German Patent and Trademark Office ("DPMA"). AVATR may also apply for European patents before the European Patent Office based on the European Patent Convention. European patents can grant protection in 38 contracting states of the Convention on the Grant of European Patents, whereby AVATR chooses the respective states in which the European patents should be valid. In addition, AVATR can also file for protection in the form of Unitary Patents. The Unitary Patent grants the right holder one single patent right covering all UP states instead of a bundle of national patents. The term of protection for German, European and Unitary patents is 20 years.

Utility Models

AVATR may further protect its technical inventions under the German Utility Model Act (*Gebrauchsmustergesetz*). A German utility model is effective upon registration with the DPMA, conferring rights similar to those of a patent but only in Germany. Unlike patents, German utility models are an unexamined right. The DPMA will not assess novelty, inventive step or industrial application during their registration process. Thus, utility model protection can be obtained more quickly and at a lower cost, but they can also more easily be challenged and revoked. The term of protection is ten years (renewable in stages).

Designs

The appearance of AVATR's products is protected and regulated by the German Act on the Legal Protection of Designs (*Designgesetz*). To obtain protection, AVATR may apply for the registration of design rights with the DPMA if the designs are new and of individual character. Design rights registered with the DPMA are only valid in Germany.

For EU-wide coverage, AVATR may file an EU design application to the EUIPO. An EU Design offers protection in all member states of the EU. The protection of European Union Designs is regulated by the European Union Design Regulation. The term of protection is up to 25 years (renewable in five-year increments). Registered designs are an unexamined right. The competent office does not assess the novelty/individual character of the design. Their validity can be challenged by third parties:

- German designs before the DPMA/the German courts.

- EU designs before the EUIPO/designated EU courts.

Additionally, AVATR may benefit from unregistered EU designs which arise automatically with disclosure of the design in the EU. The term of protection is three years; the protection is against deliberate copying, meaning that the infringer must have had knowledge of the original design.

Trademarks

Trademarks, business designations and geographical indications of AVATR can be protected in Germany under the German Trademark Act (*Markengesetz*). A German trademark must be applied for at the DPMA. On the EU level, protection for trademarks may also be obtained on the basis of the EU Trade Mark Regulation (Regulation (EU) No 2017/1001). EU trademarks are registered with the EUIPO and may bestow protection in all EU member states.

Trademark applications are examined by the office for absolute grounds such as lack of distinctiveness and for descriptive terms. Once registered, a trademark confers the exclusive right to use the sign for the designated goods and services. The initial term is ten years, renewable indefinitely in further ten-year periods upon payment of fees. Third parties may oppose or seek cancellation of trademarks after publication or registration. Infringement claims concerning EU trademarks are litigated before designated national courts, which can grant EU-wide remedies, while validity disputes are handled by the EUIPO (unless there is a counterclaim).

Regulations on Foreign Trading

According to the German Foreign Trading Ordinance (*Außenwirtschaftsverordnung*) payments in an amount exceeding EUR 50,000 that are received from or send to a foreign country must be notified to the German Federal Bank (*Bundesbank*). However, this is only a notification requirement but no approval requirement.

Occupational Health and Safety

Under German and European provisions we are obliged to take measures related to health and safety at work. *Inter alia*, our German subsidiary is subject to EU regulations on occupational health and safety, in particular Council Directive 89/391/EEC of June 12, 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work, as amended and Council Directive 91/383/EEC of June 25, 1991 supplementing the measures to encourage improvements in the safety and health at work of workers with a fixed-duration employment relationship or a temporary employment relationship, as amended, which require employers to provide for their employees' safety. The applicable occupational safety regulatory regime also includes various other EU directives. In Germany, these directives were transposed into German law by the German Act on Occupational Protection (*Arbeitsschutzgesetz*) and in the German Act on Occupational Safety (*Arbeitssicherheitsgesetz*), which require employers to provide for their employee's safety. These general obligations are substantiated in several ordinances under the respective laws, which are further detailed in technical guidelines. The applicable occupational safety regulatory regime also includes the German Ordinance on Facility Safety (*Betriebssicherheitsverordnung*), the German Ordinance on Requirements for Workplaces (*Arbeitsstättenverordnung*) and a number of technical guidelines enacted under these ordinances. In general, compliance with employment safety regulations is subject to regulatory supervision.

Regulations Relating to Personal Privacy and Personal Information Protection

Regulations Relating to Personal Privacy and Personal Information Protection

The processing including the collection and other use of personal data is extensively regulated by European and national legislation, especially by Regulation (EU) 2016/679 (General Data Protection Regulation, "GDPR") and the German Federal Data Protection Act (*Bundesdatenschutzgesetz*, the "BDSG"). In general, European data protection and data privacy laws regulate the processing of personal data in the European Union including its collection, storage, transfer or use. Particularly, under the GDPR, the concept of "personal data" is very broad and covers any information relating to an identified or identifiable individual, i.e., the related data subject.

Generally, processing under the GDPR is only lawful if and to the extent that it can be based on a specific legal basis for such processing, e.g., in case of a consent by the respective data subject or where processing is necessary for the performance of a contract to which the data subject is a party, for compliance with a legal obligation of which the controller is subject or for the purposes of the legitimate interests pursued by the controller, except where such interests are overridden by the interests or fundamental rights and freedoms of the data subject which require protection of personal data.

In addition, a transfer of personal data to entities outside Europe or the European Economic Area ("EEA") (e.g., China) is subject to specific requirements. The GDPR provides different tools to frame data transfers from the EU/EEA to a third country. Sometimes, a third country may be declared as offering an adequate level of protection through a European Commission decision ("Adequacy Decision"), meaning that data can be transferred with another company in that third country without the data exporter being required to provide further safeguards or being subject to additional conditions. In other words, the transfers to an "adequate" third country will be comparable to a transfer of personal data within the EU. In the absence of an Adequacy Decision, a transfer can take place through the provision of appropriate safeguards and on condition that enforceable rights and effective legal remedies are available for individuals. Such appropriate safeguards include, e.g., standard contractual clauses ("SCCs") or binding corporate rules for intra-group data transfers. The European Commission adopted new SCCs on June 4, 2021. In addition, pursuant to the Court of Justice of the European Union ruling Schrems II dated July 16, 2020, there may be a need to supplement SCCs by additional measures and guarantees in order to ensure the level of protection guaranteed by the GDPR in case they are used to transfer personal data to a recipient in a third country. This requires a comprehensive risk analysis for any such transfer and possibly a side letter to SCCs setting out such additional measures.

The GDPR also requires organizational measures, such as the installation of a data protection officer. From a German data protection law perspective, a data protection officer must be appointed if as a general rule at least 20 persons are permanently involved in the automated processing of personal data.

The GDPR and, in Germany, the BDSG, stipulate that entities that process personal data must implement certain technical and organizational measures to ensure that such data is processed and stored safely, remains confidential and can be restored and accessed again after interruptions. These measures may include physical security against unauthorized access and manipulation (e.g., secure storage and transportation of physical data carriers), password security, authorization concepts, logging of subsequent changes of data, separation of data that has been collected for different purposes, reasonable encryption and protection against accidental loss, destruction or damage of data. Furthermore, the effectiveness of such measures must be tested regularly.

Furthermore, the GDPR generally requires us to inform the competent supervisory authorities of any personal data breach regarding data stored or processed by us within 72 hours of becoming aware of such personal data breach. Where the relevant personal data breach is likely to result in a high risk to the rights and freedoms of the affected data subjects, we are also required to inform these data subjects of the personal data breach without undue delay.

Non-compliance with the GDPR may result in severe fines. Depending on the individual infringement, fines of up to the higher of 4% of the annual worldwide turnover for the last year or EUR20 million may be imposed, whichever is higher. In addition, the GDPR grants individual data subjects the right to claim damages for violations of their rights under the GDPR.