PRC REGULATIONS

This section sets forth a summary of the most significant PRC laws and regulations relevant to our business and operations in the PRC and the key provisions of such laws and regulations.

REGULATIONS ON PRODUCT QUALITY AND CONSUMER RIGHTS PROTECTION

In accordance with the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People's Congress ("**SCNPC**") on February 22, 1993, and most recently amended on December 29, 2018, the seller assumes responsibility for the repair, replacement, or return of the sold product under the following circumstances: (i) the product lacks the essential properties for its intended use without prior clear indication; (ii) the product does not meet the stated standards displayed on the product or its packaging; or (iii) the product does not match the quality as described in the product information or physical sample. In cases where a consumer incurs losses due to the purchased product, the seller is obligated to compensate for these losses. Under the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), promulgated by the National People's Congress of the PRC on May 28, 2020, and became effective on January 1, 2021, manufacturers and commercial sellers bear liability for physical injury or property loss resulting from product defects. The affected party has the right to seek compensation from either the manufacturer or the commercial seller.

The PRC Consumer Rights Protection Law (《中華人民共和國消費者權益保護法》) was adopted by the SCNPC on October 31, 1993, and the latest amendment thereto was adopted on October 25, 2013 and became effective on March 15, 2014. This Law establishes the fundamental regulatory regime for the protection of consumers' legitimate rights and interests in the PRC, aiming to maintain orderly market transaction environment and promote the healthy development of the market economy. Under this Law, business operators shall conduct operations in compliance with the principles of voluntariness, equality, fairness and good faith, and shall protect consumers' statutory rights including the right to safety of products and services, right to information, right to independent choice and right to fair transactions. Operators that violate the relevant provisions of the Law shall be subject to corresponding civil liabilities, administrative sanctions or criminal liabilities depending on the specific circumstances and gravity of the violations.

REGULATIONS ON ENVIRONMENTAL PROTECTION

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) or the Environmental Protection Law, which was last amended by the SCNPC on April 24, 2014 and came into effect on January 1, 2015, any entity that discharges or will discharge pollutants in the course of operation or other activities must implement effective environmental protection measures to control and properly handle hazardous substances such as waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of such activities. The State implements a pollutant discharge permit management system in accordance with the law.

According to the Regulations on the Administration of Pollution Discharge Permits (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and took effect on March 1, 2021, enterprises, institutions and other production and operation units subject to administration of pollution discharge permits shall discharge pollutants in accordance with the Administration of Pollution Discharge Permits (《排污許可管理條例》), and shall not discharge pollutants without obtaining a pollutant discharging permit. Environmental protection authorities impose various administrative penalties, such as fines, order to correct, restriction or suspension of production for rectification, and order to cease operation, etc., on individuals or enterprises that violate the Environmental Protection Law.

REGULATIONS ON INTERNET AND DATA SECURITY

According to the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) promulgated by the SCNPC on November 7, 2016 and taking effect from June 1, 2017, to construct and operate a network, or to provide services through a network, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, to effectively cope with cybersecurity events, to prevent criminal activities committed on the network, and to protect the integrity, confidentiality and availability of network data. Network products and services shall satisfy the mandatory requirements set forth in applicable national standards. Any provider of network products or services shall not install malwares. For any risk such as security defect or bug that is found, the provider concerned shall, as required, immediately take remedial actions, inform the users of the said risk, and report the case to the competent authority.

According to the Data Security Law of the People's Republic of China（《中華人民共和國數據安全法》）promulgated by the Standing Committee of the SCNPC on June 10, 2021 and taking effect from September 1, 2021, any organization or individual shall collect data by lawful and proper means and shall not acquire data by theft or other illegal means.

According to the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) promulgated by the SCNPC on August 20, 2021 and taking effect from November 1, 2021, a personal information handler shall be responsible for its handling of personal information and take necessary measures to ensure the security of the personal information handled. A personal information handler shall, according to the purpose and method of handling personal information, types of personal information, impacts on personal rights and interests and possible security risks, take measures to ensure the compliance of personal information handling activities with provisions of laws and administrative regulations and prevent unauthorized access and divulgence, falsification and loss of personal information.

On December 28, 2021, the CAC and twelve other PRC regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which came into effect on February 15, 2022 and replaced the previous version. The Cybersecurity Review Measures provide that the purchase of cyber products and services by critical information infrastructure operators (the "**CIIOs**") and the network platform operators (the "**Network Platform Operators**") which engage in data processing activities that affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC. Specifically, CIIOs that purchase network products and services shall anticipate the potential national security risk of products and services after they enter operation. If they affect or may affect national security, a cybersecurity review shall be reported to the Cybersecurity Review Office. In addition, Network Platform Operators holding personal information of more than one million users that seek listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the "**Security Assessment Measures**"), which came into effect on September 1, 2022. The Security Assessment Measures outline the requirements and procedures for security assessments on outbound transfer of important data or personal information collected within the territory of mainland China. On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-Border Data Flows, which further updated the requirements for security assessment. More specifically, the security assessment shall be required provided that: (i) the data transferred out of mainland China is important data; (ii) a CIIOs or data processor that processes personal information of more than one million individuals intends to provide personal information overseas; (iii) the data processor who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals to overseas recipients, in each case as calculated cumulatively, since January 1 of the previous year, intends to provide personal information overseas; or (iv) under other circumstances as stipulated by the CAC, unless the outbound data transfer falls under certain exempted situation stipulated by the Provisions on Promoting and Regulating Cross-Border Data Flows. The assessment result is valid for three years. In the case of changes to the transfer circumstances, the recipient country's data laws, or other major situational changes, the data processor may also need to re-submit an application.

On September 24, 2024, the Network Data Security Regulations (《網絡數據安全管理條例》) were promulgated by the State Council, which came into effect on January 1, 2025. The Network Data Security Regulations implemented and reiterated the general requirements on data security management from the Cybersecurity Law, the Data Security Law and the Personal Information Protection Law. The specific provisions include, but are not limited to, the following: (i) a network data processor must establish and improve data security protection, and adopt technical measures such as encryption, backup and access control to protect data from being tampered with, damaged, leaked, illegally obtained or illegally used; and (ii) a network data processor shall inform an individual in accordance with the law by way of formulating rules for the processing of personal information prior to the processing of personal information. For data recognized as important data, the relevant regions and departments shall promptly notify or publicly release to the network data processors. Notably, if the data has not been notified or publicly released as important data by relevant regions or departments, there is no need to apply for an outbound important data transfer security assessment before transferring the data overseas.

REGULATIONS ON THE APPLICATION OF ARTIFICIAL INTELLIGENCE TECHNOLOGIES

On July 10, 2023, the CAC and six other ministries jointly published the Interim Administrative Measures on Generative AI Services (《生成式人工智能服務管理暫行辦法》) ("Interim Measures on Generative AI"), which came into effect on August 15, 2023. The Interim Measures on Generative AI apply to the provision of generative content such as text, images, audios and videos to the public within the territory of the PRC by utilizing generative AI technology.

The Interim Measures on Generative AI impose various obligations on generative AI service providers, from content filtering and control to protecting the personal information of users. Specifically, (i) service providers shall be responsible as producers of the online information. Upon discovering any "illegal content," service providers shall promptly take appropriate measures, such as suspending generation, halting transmission, removing relevant content, implement rectification measures, including model optimization training, and report the foregoing to competent authorities. Service providers shall also add marks to generated content such as images and videos; (ii) service providers shall sign service agreements with users, protect users' personal information and fulfill the obligation to protect users' input information and usage records in accordance with the law. Service providers shall not collect unnecessary personal information, unlawfully retain input information or usage records that can identify users' identities, or unlawfully provide users' input information or usage records to others; (iii) service providers shall specify and publicly disclose the applicable users, scenarios and purposes of their services. Service providers shall guide users to scientifically and rationally understand and use generative AI technology in compliance with applicable laws. Service providers shall implement effective measures to prevent minors from developing excessive dependence on or addiction to generative AI services; and (iv) service providers shall, upon discovering that users are engaging in illegal activities through generative AI services, promptly implement appropriate measures, including issuing warnings, restricting service functions, suspending or terminating services in compliance with relevant laws or as agreed, preserve relevant records and report to the competent authorities.

The Interim Measures on Generative AI provide special requirements for data training activities such as pre-training and fine-tuning. In particular, (i) service providers shall use data and base models from lawful sources; (ii) service providers shall not infringe others' legally vested intellectual property rights; (iii) service providers shall obtain consents from individuals or ensure that other conditions provided by laws and regulations are met if personal information is used; (iv) service providers shall implement effective measures to enhance training data quality, ensuring authenticity, accuracy, objectivity and diversity of the training data; and (v) service providers shall comply with the requirements of relevant laws.

REGULATIONS RELATING TO AUTOMOTIVE DATA SAFETY

According to the Several Provisions on the Administration of Automotive Data Security (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》), which was issued by the CAC and other relevant competent authorities on August 16, 2021 and effective as of October 1, 2021, such provisions are formulated to regulate automotive data processing activities, protect the legitimate rights and interests of individuals and organizations, safeguard national security and public interests, and promote the rational development and utilization of automotive data. Pursuant to the aforesaid provisions, automotive data processors shall adhere to the principles of legality, propriety, necessity and good faith, and perform statutory obligations including data classification management, in-car processing and desensitization in the course of data handling. Processors in violation of the aforesaid provisions should bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

REGULATIONS ON EXPORTATION 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 SCNPC on May 12, 1994 and implemented on July 1, 1994, and subsequently revised on April 6, 2004, November 7, 2016, December 30, 2022 and December 27, 2025, foreign traders engaging in import and export of goods or technology shall submit documents and material related to its foreign trade activities to the relevant departments in accordance with the provisions of the foreign trade department of the State Council or other relevant State Council departments in accordance with the law.

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) which was lastly revised by SCNPC on April 29, 2021 and took effect on the same day, 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 file for record 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》) promulgated by the General Administration of Customs on November 19, 2021 and taking effect from January 1, 2022, the consignees and consignors for imported or exported goods and the customs brokers engaged in customs declarations shall undergo recordation formalities at the relevant administration department of customs in accordance with the laws.

REGULATIONS ON LEASING

According to the PRC Civil Code, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

REGULATIONS ON INTELLECTUAL PROPERTY

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by SCNPC on August 23, 1982, most recently amended on April 23, 2019 and effective from November 1, 2019, and the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, later amended on April 29, 2014 and effective from May 1, 2014, registered trademarks are granted a term of ten years which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements must be filed with the Trademark Office for record, and the Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Conducts that shall constitute an infringement of the exclusive right to use a registered trademark include but not limited to using a trademark that is identical with or similar to a registered trademark on the same or similar goods without the permission of the trademark registrant, and the infringing party will be ordered to stop the infringement act immediately and may be imposed a fine. The infringing party may also be held liable for the right holder's damages, which will be equal to gains obtained by the infringing party or the losses suffered by the right holder as a result of the infringement, including reasonable expenses incurred by the right holder for stopping the infringement.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC, which was latest amended in November 2020, and its related Implementing Regulations, Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners of protected works enjoy personal rights and property rights with respect to publication, authorship, alteration, integrity, reproduction, distribution, lease, exhibition, performance, projection, broadcasting, dissemination via information network, production, adaptation, translation, compilation and other rights shall be enjoyed by the copyright owners.

Pursuant to the Regulation on Computers Software Protection (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and latest amended on January 30, 2013, and 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 latest amended on July 1, 2004, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations.

Patent

In accordance with the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC, which was latest amended in October 2020 and became effective on June 1, 2021, and its Implementation Rule, patent is divided in to three categories, i.e., invention patent, design patent and utility model patent. The duration of invention patent right, design patent right and utility model patent right shall be 20 years, 15 years and ten years, respectively, which all calculated from the date of application. Implementation of a patent without the authorization of the patent holder shall constitute an infringement of patent rights, and shall be held liable for compensation to the patent holder and may be imposed a fine, or even subject to criminal liabilities.

Domain Names

The Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) was promulgated by the MIIT in 2017, which adopts "first to file" rule to allocate domain names to applicants, and provide that the MIIT shall supervise the domain names services nationwide and publicize the PRC domain name system. After completion of the registration procedures, the applicant will become the holder of the relevant domain name.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Employment

The major PRC laws and regulations that govern employment relationship are the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》) (the **"Labor Contract Law"**) and its implementation, which impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

The Labor Contract Law, which became effective on January 1, 2008, primarily aims at regulating rights and obligations of employment relationships, including the establishment, performance, and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

Interpretation (II) of the Supreme People's Court on 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)) was promulgated officially on 31 July 2025 and came into force on 1 September 2025. The interpretation supplements and clarifies the implementation rules under the PRC Labor Law, Labor Contract Law and relevant civil procedure laws, serving as core judicial guidance to unify nationwide trial standards for labor dispute litigations and arbitrations, balance the legitimate legal interests of PRC employers and their employees and facilitate the sound development of compliant labour management in the PRC. Under this Interpretation, clear judicial criteria are set forth covering affiliated cross-entity employment, subcontracting/affiliation-related deemed employer liability, labour relations of foreign employees working in China, double wage liabilities for non-execution of written employment contracts, validity rules for non-compete covenants and post-termination non-compensation arrangements, automatic extension of expired labour contracts, impossibility to continue performing unlawfully-terminated employment agreements, invalidity of social insurance waiver agreements and arbitration statute-of-limitations objection rules in judicial proceedings. Enterprises including the Company shall conduct daily human resources administration in strict compliance with such clarified judicial standards; failure to abide by the aforesaid provisions may expose the Company to supplementary salary payment, economic compensation, liquidated damages or other corresponding civil liabilities as ruled by PRC competent people's courts in relevant labour dispute proceedings.

Social Insurance

The PRC Social Insurance Law (《中華人民共和國社會保險法》) (the "**Social Insurance Law**") issued by the SCNPC in 2010 and latest amended on December 29, 2018, has established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to the Social Insurance Law and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and most recently amended on March 24, 2019 and effective from the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and amended on March 24, 2002, and March 24, 2019, enterprises must register at the designated administrative centers and open bank accounts for depositing employees' housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the people's court will be applied.

REGULATIONS ON TAX

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC and was latest amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council and was latest amended in April 2019, collectively referred to as the Enterprise Income Tax Law, a uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a reduced tax rate of 15% for Enterprise Income Tax.

Value–added Tax

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council and was latest amended on November 19, 2017, and the Implementation Rules for the Provisional Regulations the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance and was latest amended on October 28, 2011 and effective from November 1, 2011, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the value-added tax.

According to the Notice of the Ministry of Finance and the State Taxation Administration on the Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) effective in May 2018, the value-added tax rates of 17% and 11% on sales, imported goods shall be adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and effective from April 1, 2019, the value-added tax rates of 16% and 10% on sales, imported goods shall be adjusted to 13% and 9%, respectively.

Dividends Distribution

The principal laws, rules and regulations governing dividend distributions by foreign invested enterprises in the PRC are the Company Law of the PRC, promulgated in 1993 and latest amended in 2023, and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Enterprise Income Tax Law of PRC (the "**EIT Law**") and the Regulation on the Implementation of the Enterprise Income Tax Law of PRC, since January 1, 2008, an enterprise income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC, unless any such non-PRC resident investors' jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement.

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese EIT imposed on the dividends received from PRC companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with Hong Kong, Macau, and a number of countries and regions including Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the EIT in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

REGULATIONS ON FOREIGN INVESTMENT

The Company Law of the PRC (《中華人民共和國公司法》), promulgated by the SCNPC on December 29, 1993, last amended on December 29, 2023 and came into effect on July 1, 2024, governs the establishment, operation and management of companies in the PRC, including foreign-invested companies. Unless foreign investment laws provide otherwise, foreign invested companies shall abide by the Company Law of the PRC.

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), the Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) and Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which became effective on January 1, 2020, the State Council establishes a foreign investment information report system. Foreign investors or foreign–funded enterprises shall submit investment information to the competent department for commerce concerned through the enterprise registration system and the enterprise credit information publicity system.

Foreign investment in the PRC is subject to the Catalogue of Industries for Encouraging Foreign Investment (2022 edition) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Catalogue**")), amended on October 26, 2022 and effective since January 1, 2023 and the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "**Negative List**")), amended on September 6, 2024 and effective since November 1, 2024, both of which issued by the National Development and Reform Commission (the "**NDRC**") and the MOFCOM. According to the Negative List, foreign investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are generally deemed "permitted" for foreign investments.

According to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on December 19, 2020 and became effective on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof. A foreign investor or a party concerned in China shall take the initiative to make a declaration to the working mechanism office prior to making the investment in any important infrastructure, important transportation services and other important fields that concern state security while obtaining the actual control over the enterprises invested in.

Measures for the Administration of Overseas Investments and Measures for the Administration of Enterprises' Overseas Investments

The Measures for the Administration of Overseas Investments (《境外投資管理辦法》) were issued by the MOFCOM on September 6, 2014, and implemented on October 6, 2014. The Measures for the Administration of Enterprises' Overseas Investments (《企業境外投資管理辦法》) were issued by the NDRC on December 26, 2017, and implemented on March 1, 2018.

According to these Measures, overseas investment refers to investment activities by domestic enterprises, directly or through their controlled overseas enterprises, by injecting assets, equity, providing financing, guarantees, etc., to acquire ownership, control rights, management rights and other relevant rights abroad. The scope of approval management includes sensitive projects undertaken directly or through their controlled overseas enterprises of the investing entities. The MOFCOM and the commerce departments at provincial levels are responsible for the administration and supervision of overseas investments. Depending on the different circumstances of enterprises' overseas investments, they either implement filing or approval management. Enterprises' overseas investments involving sensitive countries and regions or sensitive industries, are subject to approval management by the NDRC. Other overseas investments by enterprises are subject to filing management.

The MOFCOM and the commerce departments at provincial levels manage enterprises' overseas investments through the "Overseas Investment Management System" and issue the Certificate of Overseas Investment by Enterprises to enterprises that have obtained filing or approval.

REGULATIONS ON FOREIGN EXCHANGE

Regulations relating to Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

In October 2019, SAFE issued the Circular of Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was amended on December 4, 2023, or SAFE Circular 28, which cancels the restrictions on domestic equity investments by capital fund of non-investment foreign invested enterprises and allows non-investment foreign invested enterprises to use their capital funds to lawfully make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign Exchange 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》), or SAFE Circular 8, issued by SAFE in April 2020, 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, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction. The handling banks shall conduct spot checks afterwards in accordance with the relevant requirements. The interpretation and implementation in practice of SAFE Circular 28 and SAFE Circular 8 are still subject to substantial uncertainties given they are newly issued regulations.

REGULATIONS RELATING TO ANTI-MONOPOLY

According to the PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》), which was adopted by the SCNPC on August 30, 2007 and most recently amended on June 24, 2022 with effect from August 1, 2022, monopoly conduct refers to acts carried out by undertakings that eliminate or restrict competition, disrupt the order of the socialist market economy and harm the legitimate rights and interests of other operators and consumers in violation of the provisions of the PRC Anti-Monopoly Law during production and business activities. Pursuant to the PRC Anti-Monopoly Law, undertakings must abide by the principles of fairness, openness and good faith, and comply with laws and business ethics in market competition activities. Undertakings in violation of the PRC Anti-Monopoly Law should bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION

According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), which was adopted by the SCNPC on September 2, 1993 and most recently amended on June 27, 2025 with effect from October 15, 2025, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the PRC Anti-Unfair Competition Law in the production and operating activities. Pursuant to the PRC Anti Unfair Competition Law, operators must abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions. Operators in violation of the PRC Anti-Unfair Competition Law should bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

REGULATIONS RELATING TO ANTI-MONEY LAUNDERING

The PRC Anti-Money Laundering Law (《中華人民共和國反洗錢法》) was adopted by the SCNPC on October 31, 2006, and the latest amendment thereto was adopted on November 8, 2024 and became effective on January 1, 2025. This Law establishes the fundamental regulatory regime to prevent and deter money laundering activities, safeguard the security of the financial system and maintain financial stability and market order in the PRC. Under this Law, relevant obligated entities shall establish and implement sound internal control systems, customer due diligence and record-keeping mechanisms, and perform anti-money laundering monitoring and reporting obligations in accordance with statutory requirements. Entities or individuals that violate the relevant provisions of the Law shall be subject to corresponding administrative sanctions, and shall bear criminal liabilities in accordance with the law if the violations constitute criminal offenses.

REGULATIONS ON SECURITIES AND OVERSEAS LISTINGS

Securities Laws and Regulations

The Securities Law of the PRC (《中華人民共和國證券法》), which was promulgated by the SCNPC on December 29, 1998, and was latest amended on December 28, 2019 and took effect on March 1, 2020, comprehensively regulating activities in the PRC securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listings

On February 17, 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Measures for the Administration on 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**") together with five supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the "**Overseas Listing Regulations**"). Under Overseas Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

The Overseas Listing Regulations provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Additionally, the Overseas Listing Regulations stipulates that after an issuer has offering and listing securities in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of (i) a change of control thereof, (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities, (iii) changes of listing status or transfers of listing segment, and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Related to 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 "**Provision on Confidentiality**"). Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

Laws and Regulations Governing the Robotics Industry

On 21 December 2021, the Ministry of Industry and Information Technology ("**MIIT**"), the National Development and Reform Commission ("**NDRC**") and another thirteen central authorities jointly issued the *Notice on Issuing the "14th Five-Year Plan" for the Development of the Robotics Industry* (《"十四五"機器人產業發展規劃》的通知). The plan targets breakthroughs in core robotics technologies and high-end robotics products, setting goals to build China into a global robotics innovation hub by 2025 and elevate China's overall industrial competitiveness in robotics to world-leading standards by 2035.

On 21 December 2021, MIIT, NDRC and six other regulatory bodies promulgated the *Notice on Printing and Distributing the Development Plan for Intelligent Manufacturing during the 14th Five-Year Plan Period* (關於印發《"十四五"智能製造發展規劃的通知》). This 14th Five-Year intelligent manufacturing plan calls for vigorous development of intelligent manufacturing equipment and enhanced industry-university-research collaborative innovation.

On 18 January 2023, MIIT together with sixteen other government departments jointly released the *Notice on the Promulgation of the Action Plan for "Robot+" Applications* (關於印發《"機器人+"應用行動實施方案》), which sets a target of doubling China's manufacturing robot density by 2025 compared with the 2020 baseline.

On 29 July 2024, MIIT promulgated the *Industrial Robot Industry Regulatory Specifications (2024 Edition) and Administrative Measures for the Implementation of the Industrial Robot Industry Regulatory Specifications (2024 Edition)* (the "**Administration Measures**"). Such Measures took effect on 1 August 2024. Pursuant to the Administration Measures, MIIT implements a public listing regime for industrial robot manufacturers satisfying the *Standard Conditions for the Industrial Robot Industry* (the "**Standard Conditions**"). Eligible enterprises in the industrial robot sector may file voluntary applications. MIIT publishes and updates the roster of compliant enterprises and reserves the right to amend or revoke relevant listings as appropriate.

The *Industrial Structure Adjustment Guidance Catalogue (2024 Edition)* was promulgated by NDRC on 27 December 2023 and became effective on 1 February 2024, which incentivises the development of intelligent manufacturing-focused robots and integrated system industries.

Relevant regulations on drones

Flight test requirements for flight performance of civil large and medium fixed-wing unmanned aircraft (《民用大中型固定翼無人機飛行性能飛行試驗要求》) promulgated on 28 December 2023 and was effective on 01 April 2024. The document specifies the requirements for the content, purpose, conditions, implementation, data processing and result evaluation of the flight performance tests for civil medium-sized and large fixed-wing unmanned aerial vehicles. This document is applicable to the flight performance tests of civil medium-sized and large fixed-wing unmanned aerial vehicles with a maximum take-off weight of not less than 150 kg (hereinafter referred to as unmanned aerial vehicles). The flight performance tests of electric-powered unmanned aerial vehicles and other types of unmanned aerial vehicles shall be implemented in accordance with this document.

Requirements and methods for reliability flight test of civil unmanned aircraft system (《民用無人機可靠性飛行試驗要求與方法》) was promulgated on 29 September 2024 and was effective on 01 January 2025. This document specifies the requirements, testing methods, and data collection and processing procedures for the reliability flight tests of civilian unmanned aircraft systems (hereinafter referred to as "**unmanned aircraft**"). This document is applicable to the reliability flight tests of civilian unmanned aircraft.

U.S. LAWS AND REGULATIONS

Classification of Requirements

The requirements described below include (i) binding U.S. federal and state laws and regulations, (ii) industry or consensus standards that are not themselves legally binding but are commonly required for market access, permitting, or customer acceptance, and (iii) contractual or customer-driven specifications. Compliance obligations and enforcement mechanisms differ across these categories.

Regulations on Vehicle Diagnostic Equipment and TPMS

Automotive diagnostic tools and TPMS sensors are regulated under several U.S. federal regulations, primarily governed by the Federal Communications Commission (FCC) and the National Highway Traffic Safety Administration (NHTSA).

FCC Regulations

According to FCC Part 15, the following compliance requirements apply to automotive diagnostic tools and TPMS sensors:

- Subpart B (Unintentional Radiators): Diagnostic equipment must comply with FCC radio-frequency emission limits designed to prevent harmful interference with licensed radio services.
- Subpart C (Intentional Radiators): Devices that include wireless communication features, such as Bluetooth-enabled diagnostic tools and TPMS sensors, must undergo the FCC's equipment authorization process. This process ensures the device complies with specific technical standards and does not interfere with other communications services.
- Equipment Authorization: Automotive diagnostic tools and TPMS sensors are subject to the FCC's equipment authorization requirements under Part 15, which may include Supplier's Declaration of Conformity (SDoC) for unintentional radiators (Subpart B) and/or Certification (FCC ID) for intentional radiators (Subpart C), depending on the device design and any integrated radio modules.

NHTSA Regulations

FMVSS No. 138 applies to the installation and performance of tire pressure monitoring systems on covered new light vehicles. Vehicle manufacturers are responsible for certifying compliance with FMVSS No. 138 as part of vehicle certification. Although FMVSS No. 138 is a vehicle-level safety standard, TPMS sensors and related components may still be treated as "motor vehicle equipment" under U.S. law, and manufacturers of such equipment may be subject to defect reporting, recall, and remedy obligations administered by NHTSA. FMVSS No. 138 specifies vehicle-level system performance requirements, including:

- Installation Requirement: TPMS must be installed in all new passenger vehicles to monitor tire pressure and enhance vehicle safety.
- Performance Standards: The TPMS must meet system performance specifications to detect low tire pressure.
- Malfunction Indicator: A malfunction indicator is required to notify the vehicle owner within 20 minutes if the TPMS system fails, ensuring timely maintenance and safety compliance.

Regulations on EV Charging Equipment

Product Safety and Technical Standards

The National Electrical Code (NEC / NFPA 70), specifically Article 625, governs Electric Vehicle Supply Equipment (EVSE) and is adopted by state and local jurisdictions across the United States. EV charging products typically must comply with the relevant Underwriters Laboratories (UL) Standards, including:

- UL 2594 (Electric Vehicle Supply Equipment),
- UL 2202 (Electric Vehicle Charging System Equipment),
- UL 2231-1 and UL 2231-2 (Personnel Protection Systems for EV Supply Circuits),
- UL 1998 (Software in Programmable Components).

These standards ensure that EVSE products meet the required safety and performance criteria.

Electromagnetic Compatibility

Under FCC Part 15 (Radio Frequency Devices), chargers incorporating wireless communication modules (such as Wi-Fi or cellular connectivity) are subject to the FCC's equipment authorization requirements. This ensures that these devices comply with electromagnetic compatibility (EMC) standards and do not interfere with licensed radio services.

Communication and Interoperability Standards

The ISO 15118 standard, titled Road Vehicles — Vehicle to Grid Communication Interface, is pivotal in enabling "Plug and Charge" functionality for EVs, facilitating seamless communication between the vehicle and the charging station. In addition, major customers may require EV charging equipment to support ISO 15118 communication protocols for enhanced interoperability.

For Level 2 AC charging in North America, the SAE J1772 connector standard is widely adopted for compatibility across various charging stations. This ensures consistency and safety in the connection between EVs and chargers.

REGULATIONS ON ENVIRONMENTAL, HEALTH, AND SAFETY

Occupational Safety and Health

The Occupational Safety and Health Act (OSHA), along with regulations from the North Carolina Department of Labor, mandates workplace safety standards that encompass electrical safety, chemical handling, ergonomics, and machine guarding. These regulations are designed to protect workers from potential hazards in the workplace.

Environmental Compliance

The Clean Air Act may require permits for emissions resulting from manufacturing processes, painting operations, or backup generators, ensuring that air quality standards are met. Under the Clean Water Act, facilities must obtain stormwater discharge permits (National Pollutant Discharge Elimination System, NPDES) if they discharge stormwater runoff from industrial operations, protecting water quality from contaminants.

The Resource Conservation and Recovery Act (RCRA) governs the management and disposal of hazardous waste, including waste batteries, solvents, and electronic components. Compliance with RCRA is essential for safe handling and disposal practices.

The Toxic Substances Control Act (TSCA) regulates the use of chemical substances in manufacturing processes, ensuring that chemicals used are assessed for safety risks to both human health and the environment.

For manufacturing operations that involve lithium-ion batteries or battery assembly, specific federal and state regulations apply to the handling, storage, and disposal of hazardous materials. These operations are subject to stringent hazardous waste regulations to mitigate environmental impact.

The North Carolina Department of Environmental Quality (DEQ) administers and enforces state environmental programs, ensuring that local businesses comply with state-specific environmental standards and regulations.

REGULATIONS ON CONSUMER PROTECTION AND PRODUCT LIABILITY

Consumer Protection Laws

The Federal Trade Commission Act, specifically Section 5, prohibits "unfair or deceptive acts or practices" (15 USC § 45), and is enforced by the Federal Trade Commission (FTC). The FTC Green Guides (16 CFR Part 260) cover environmental marketing claims; marketing practices inconsistent with the Guides may be challenged as deceptive. Additionally, the FTC requires substantiation of advertising claims, demanding that material product claims be supported by competent and reliable evidence.

All states have enacted their own versions of the FTC Act, commonly referred to as "little FTC Acts" or similar consumer protection statutes. These state laws grant state attorneys general concurrent enforcement authority, alongside the FTC, to address consumer protection issues at the state level.

Product Warranties

The Magnuson-Moss Warranty Act (15 USC §§ 2301–2312) governs written warranties on consumer products priced over $15. This Act mandates clear disclosure of warranty terms, limitations, and dispute resolution procedures. It also prohibits certain warranty disclaimers, including the prohibition (with exceptions) on disclaiming implied warranties when a written warranty is provided without labeling it "limited."

Product Liability

Product liability exposure is governed by both federal and state laws, with manufacturers potentially liable under several legal theories:

- Strict Liability in Tort: Manufacturers are strictly liable for defects in design, manufacturing, or failure to warn consumers about potential risks. For example, EV chargers, which involve high-voltage electricity, may pose fire or shock hazards if defective.
- Negligence: Manufacturers have a duty to exercise reasonable care in the design, testing, manufacturing, and warning of products to avoid foreseeable risks.
- Breach of Warranty: Manufacturers may be liable for breach of express warranties or implied warranties under the Uniform Commercial Code.

To mitigate product liability risks, products must comply with UL safety standards and include multiple safety features, such as ground fault detection, over-current protection, and emergency stop mechanisms, in addition to clear installation and operating instructions. These specifications are often required under customer agreements, such as those with platforms like Amazon.

REGULATIONS ON EMPLOYMENT AND LABOR

Employers in the U.S. are subject to a wide range of federal and state employment laws that regulate wage standards, workplace safety, anti-discrimination practices, and employee benefits. Specifically, the Fair Labor Standards Act (FLSA) (29 USC §§ 201 et seq.) governs minimum wage, overtime pay, and child labor regulations; the North Carolina Wage and Hour Act supplements federal wage and hour laws within the state; title VII of the Civil Rights Act of 1964 prohibits discrimination based on race, color, religion, sex, or national origin. Additionally, other federal laws such as the Age Discrimination in Employment Act (ADEA), Americans with Disabilities Act (ADA), and the Equal Pay Act prohibit discrimination based on age, disability, and gender pay disparities. State-level anti-discrimination statutes may also apply. Employment law obligations may vary based on workforce size and state or local law.

In addition, the Occupational Safety and Health Act (OSHA) and relevant North Carolina Department of Labor regulations govern workplace safety, particularly in industries involving electrical equipment, machinery, and hazardous materials such as batteries. The Employee Retirement Income Security Act (ERISA) applies if the employer provides pension or welfare benefit plans to employees. The Affordable Care Act (ACA) requires employers with 50 or more full-time equivalent employees to provide health insurance that meets minimum standards. Workers' compensation insurance is generally required in North Carolina for work-related injuries. The Immigration Reform and Control Act (IRCA) mandates Form I-9 employment eligibility verification for all employees and prohibits the employment of unauthorized workers. The National Labor Relations Act (NLRA) protects employees' rights to organize and engage in collective bargaining, ensuring labor rights within the workplace.

PRODUCT QUALITY AND CERTIFICATION REQUIREMENTS

Quality Management Standards

Manufacturing and quality processes are often guided by ISO quality management systems, which ensure the consistency of product quality and compliance with regulatory standards. Adherence to these systems is essential for meeting both international standards and industry-specific regulations.

Electromagnetic Compatibility (EMC)

All electronic diagnostic equipment is required to meet Electromagnetic Compatibility (EMC) testing standards. This is to ensure that the devices operate reliably without causing electromagnetic interference that could affect other equipment. Compliance with CISPR regulations for electromagnetic interference is necessary, along with specific automotive EMC guidelines to address the unique challenges posed by automotive environments.

EUROPEAN LAWS AND REGULATIONS

In the European Union, product liability law is highly harmonized insofar as consumer claims are concerned. A directive from 1985, which all European countries have implemented into national law, is still in force. From December 2026, the new EU Product Liability Directive 2024/2853 will apply. The German Product Liability Act, which implements the 1985 Directive, will have to be amended in detail to comply with the new directive by December 2026. Overall, the following principles apply under both directives and the German Product Liability Act: Producers can be held liable for damages caused by a defective product regardless of fault or negligence. A product is considered defective if it fails to provide the safety which a person is entitled to expect, considering all circumstances, including presentation, marketing, and the use it was intended for. The defect must be the actual cause of the damage suffered by the claimant. The law covers personal injury, death, and damage to property other than the product itself. The manufacturer, importer, or other entities involved in placing the product on the market can be liable. Product liability towards consumers is mandatory law and cannot be limited or excluded. Claims must be brought within three years from the date the injured party became aware of the damage and the defendant's identity, but no later than ten years from the date the product was put into circulation. The defendant may argue that the defect did not exist at the time the product was supplied, or that the defect was caused by the consumer's misuse.

If, on the other hand, business customers suffer damage as a result of a defective product, different principles apply under European national legal systems, as they are considered less worthy of protection. This is known as producer liability. In this case, the business customer must prove the product defect and the fault of the manufacturer or distributor. In that context, such liability may be limited.

REGULATIONS ON TRANSFER PRICING

The Organization for Economic Cooperation and Development ("**OECD**") has issued the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations ("**OECD Transfer Pricing Guidelines**"), which provide internationally recognized guidance on the application of the arm's length principle to transactions between related parties. The arm's length principle is set out in Article 9(1) of the OECD Model Tax Convention, which serves as the foundation for transfer pricing rules in many jurisdictions. Under Article 9(1), where conditions imposed between associated enterprises differ from those that would have been agreed between independent enterprises dealing at arm's length, any profits that would otherwise have accrued to one enterprise but for those conditions may be included in that enterprise's profits and taxed accordingly. In essence, the arm's length principle requires transactions between related parties to be priced and conducted on terms comparable to those that would have been agreed between independent parties under similar circumstances. The principle treats members of a multinational enterprise group as separate and independent entities for transfer pricing purposes, rather than as components of a single integrated business.

According to paragraphs 3.60 and 3.61 of Chapter III of the OECD Transfer Pricing Guidelines, where the pricing or profitability of a controlled transaction falls within an arm's length range, no transfer pricing adjustment should generally be made. Where the pricing or profitability falls outside the arm's length range asserted by a tax authority, the taxpayer should be afforded an opportunity to demonstrate that the conditions of the controlled transaction satisfy the arm's length principle and that an alternative arm's length range is more appropriate.

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the State Council enacted the Regulations for the Implementation of the Law on Enterprise Income Tax of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (collectively, the "**EIT Law**"), as well as the Tax Collection and Administration Law of the People's Republic of China (《中華人民共和國稅收徵收管理法》) and the Implementing Regulations of the Tax Collection and Administration Law of the People's Republic of China (《中華人民共和國稅收徵收管理法實施細則》), for business transactions between affiliated enterprises, the receipt or payment of prices and fees shall follow the arm's length principle. Where the receipt or payment of prices and fees does not follow the arm's length principle and results in a reduction of taxable income, the tax authorities shall have the right to make reasonable adjustments. Based on the Announcement of the State Taxation Administration on Matters Relating to the Improvement of the Administration of Related Party Transaction Reporting and Contemporaneous Documentation (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》) promulgated and became effective on June 29, 2016, enterprises which have related-party transactions and meet corresponding conditions shall prepare their contemporaneous documentation per tax year and submit to the tax authority if required by the same. Contemporaneous documentation includes master file, local file and special issue file. According to the Announcement of the State Taxation Administration on Issuing the Administrative Measures for Special Tax Adjustment and Investigation and Mutual Agreement Procedures (《國家稅務總局關於發佈〈特別納稅調查調整及相互協商程序管理辦法〉的公告》) which partially repealed the Implementation Regulations for Special Tax Adjustments (Trial) (《特別納稅調整實施辦法(試行)》), and was issued on March 17, 2017 and became effective on May 1, 2017 and was amended on June 15, 2018, an enterprise may adjust and pay taxes at its own discretion when it receives a special tax adjustment risk warning or identifies its own special tax adjustment risks, while the tax authorities may also carry out special tax investigation and adjustment in accordance with the relevant provisions in regard to enterprises that adjust and pay taxes at their own discretion.

Section 482 of the Internal Revenue Code and the regulations promulgated thereunder (the "**U.S. Transfer Pricing Regulations**") adopt the arm's length standard for evaluating transactions between related parties. Under this standard, the results of a controlled transaction must be consistent with the results that would have been realized if unrelated parties had engaged in comparable transactions under comparable circumstances. The purpose of Section 482 is to ensure that the taxable income of controlled taxpayers clearly reflects the economic activities performed by each member of a controlled group and to place controlled taxpayers on parity with uncontrolled taxpayers. In determining whether a controlled transaction satisfies the arm's length standard, the U.S. Transfer Pricing Regulations generally compare the results of the controlled transaction with those of comparable uncontrolled transactions conducted under comparable circumstances.

REGULATIONS RELATING TO INTERNATIONAL TRADE RESTRICTIONS

The following is a summary of the sanctions regimes imposed by the jurisdictions below. This summary does not intend to set out the laws and regulations relating to U.S., EU, UK, Australian, Canadian and UN sanctions in their entirety.

United States

The United States deploys a wide range of restrictive measures, including sanctions and export controls, against targeted countries, groups, and individuals. U.S. sanctions include "primary" and "secondary" sanctions, as well as non-blocking "list-based" sanctions. OFAC administers and enforces the majority of U.S. sanctions programs.

U.S. primary sanctions generally apply to U.S. persons, including any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States. The U.S. has also enacted secondary sanctions targeting non-U.S. persons engaged in prohibited transactions (e.g., significant transactions with parties blocked under U.S. sanctions). The rules governing such secondary sanctions vary by program. Non-U.S. persons found to have engaged in prohibited transactions may be denied access to the U.S. economic system, including by being designated as SDNs themselves.

The U.S. has also implemented stringent export control regulations, primarily administered by BIS. The EAR applies to exports of commodities, software, and technical data from the U.S. to foreign countries, and to re-exports from one foreign country to another. The EAR also applies to shipments of foreign-made products that incorporate more than a de minimis amount of U.S.-controlled parts, components, or materials, as well as foreign-made products that are direct products of certain controlled U.S. software or technology. The EAR prescribes an Entity List identifying foreign parties subject to specified trade limitations. Absent satisfaction of applicable license requirements, the export, reexport, or in-country transfer of items subject to the EAR to a party on the Entity List is generally prohibited.

The U.S. has also imposed extensive and rapidly changing tariffs targeting imports from around the globe. Since April 2025, the U.S. government has frequently escalated and amended various tariffs on Chinese imports. Following the February 20, 2026 ruling by the U.S. Supreme Court striking down the IEEPA tariffs, the U.S. imposed a temporary 150-day, 10% *ad valorem* duty on all imported articles, effective February 24, 2026, on the basis of Section 122 of the Trade Act of 1974 (19 U.S.C. 2132).

European Union

The EU has over 40 different sanctions regimes in place. EU sanctions apply to individuals and entities nationalized or incorporated within the EU, located on board an aircraft or vessel subject to EU jurisdiction, or within the territory or airspace of the EU, as well as with respect to business done in the EU. Regulation (EU) No 2021/821 controls the export of EU dual-use goods.

United Kingdom

UK sanctions apply: (a) within the territory and territorial waters of the UK and to all UK Persons, wherever they are in the world; (b) to all individuals and legal entities who are within or undertake activities within the UK's territory; and/or (c) to all UK nationals and UK legal entities established under UK law, including their non-UK branches (but not separately incorporated non-UK subsidiaries), irrespective of where their activities take place.

The UK Office of Financial Sanctions Implementation, which is part of HM Treasury, maintains two lists of those subject to financial sanctions: (a) the "consolidated list" includes all designated persons subject to financial sanctions under EU and UK legislation, as well as those subject to UN sanctions which are implemented through EU regulations; and (b) a separate list of entities subject to specific capital market restrictions.

Australia

Australia has a dual sanctions regime consisting of sanctions measures imposed by the UN, together with Australian autonomous sanctions imposed by the Australian Government as a matter of its foreign policy. The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to: (i) any person in Australia; (ii) any Australian anywhere in the world; (iii) activities in Australia; (iv) companies incorporated overseas that are owned or controlled by Australians or persons in Australia; and/or (v) any person using an Australian flag vessel or aircraft to transport goods or transact services subject to UN sanctions.

Canada

Canada maintains a dual sanctions regime consisting of UN sanctions which are enacted into domestic regulations via Canada's United Nations Act, and autonomous sanctions. Canadian autonomous sanctions mainly prohibit persons located in Canada and Canadians outside of the country from various activities involving a designated foreign state, including the acquisition of goods from the designated foreign state; the provision of data to the foreign state; and the exportation, sale, supply or shipment of goods to the foreign state.

United Nations

The UN can take action to maintain or restore international peace and security under Chapter VII of the UN Charter by way of resolutions passed by the UN Security Council. UN Security Council sanctions have taken various forms, ranging from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions.

U.S. Outbound Investment Rule

On October 28, 2024, the Treasury released the Outbound Investment Rule implementing Executive Order 14105, prohibiting or requiring notification of certain outbound foreign investments by U.S. persons into certain "countries of concern," currently defined to include only China (including Hong Kong and Macao). Effective January 2, 2025 and subject to certain exceptions, the Outbound Investment Rule prohibits U.S. persons from, or requires notification to the U.S. government of, any (i) "covered transaction" involving (ii) a covered foreign person (iii) who is engaged in any "covered activity" involving the semiconductors and microelectronics, quantum information technologies, and artificial intelligence sectors. A "covered transaction" includes equity investment. The Outbound Investment Rule allows limited exceptions to the prohibition or notification requirement, including for U.S. investments in publicly traded securities, so long as such investments do not afford the U.S. person rights beyond "standard minority shareholder protections" with respect to the "covered foreign person."

On December 18, 2025, the U.S. Congress enacted the Comprehensive Outbound Investment National Security Act of 2025 (the "**COINS Act**"), which codifies and expands the Outbound Investment Rule and provides independent statutory authority for the program for at least seven years. The Treasury was given 450 days to amend the Outbound Investment Rule to conform with the COINS Act, and the existing Outbound Investment Rule remains in effect until then.