This section sets forth a summary of certain laws and regulations that are relevant to our business operations.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE PRC

Regulations on Import and Export 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 and November 7, 2016, and the *Measures for the Record and Registration of Foreign Trade Operators* (《對外貿易經營者備案登記辦法》) which was promulgated by the MOFCOM on June 25, 2004 and implemented on July 1, 2004, and subsequently revised on August 18, 2016, November 30, 2019 and May 10, 2021, foreign traders engaging in import and export of goods or technology shall complete the filing and registration with the MOFCOM or its delegated agencies. Where a foreign trade operator fails to complete the filing and registration, the customs will refuse to handle customs declaration and the clearance of goods imported or exported by the operator.

Pursuant 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 amended on July 8, 2000, June 29, 2013, December 28, 2013, November 7, 2016, November 4, 2017 and April 29, 2021, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws.

Pursuant to the *Administrative Provisions of the Customs of the PRC on the Filing of Customs Declaration Entities* (《中華人民共和國海關報關單位備案管理規定》) 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.

Laws and Regulations relating to Foreign Investment

Pursuant to the *Special Management Measures (Negative List) for the Access of Foreign Investment (2021 version)* (《外商投資准入特別管理措施(負面清單)(2021年版)》) promulgated by the NDRC and MOFCOM on December 27, 2021 and came into effect on January 1, 2022, limitations were stipulated for foreign investments in different industries in the PRC and foreign investments shall be classified into two categories, namely "Catalog of Encouraged Industries for Foreign Investment" and "Special Management Measures (Negative List) for the Access of Foreign Investment." The "Special Management Measures (Negative

List) for the Access of Foreign Investment" is further classified into "Catalog of Industries Limited for Foreign Investment" and "Catalog of Industries Prohibited for Foreign Investment." Industries which do not fall within the "Special Management Measures (Negative List) for the Access of Foreign Investment" are industries permitted for foreign investment.

On December 30, 2019, the MOFCOM and the SAMR issued the *Measures for the Reporting of Foreign Investment Information* (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the Interim Administrative Measures. Since January 1, 2020, for carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

The *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》), (the "**Foreign Investment Law**"), was formally adopted by the 2nd session of the Thirteenth National People's Congress on March 15, 2019 and became effective on January 1, 2020. The Foreign Investment Law is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The negative list management system means that the state implements special management measures for the access of foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields.

Foreign investors' investment, earnings and other legitimate rights and interests within the territory of the PRC shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises. The State guarantees that foreign-invested enterprises participate in the formulation of standards in an equal manner. The State guarantees that foreign-invested enterprises participate in government procurement activities through fair competition in accordance with the law. The State shall not expropriate any foreign investment except under special circumstances. In special circumstances, the State may levy or expropriate the investment of foreign investors in accordance with the law for the needs of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures and timely and reasonable compensation shall be given. In carrying out business activities, foreign-invested enterprises shall comply with relevant provisions on labor protection, social insurance, tax, accounting, foreign exchange and other matters stipulated in the PRC laws and regulation.

Upon taking effect on January 1, 2020, the Foreign Investment Law replaced the *Sino-Foreign Equity Joint Venture Enterprise Law* (《中華人民共和國中外合資經營企業法》), the *Sino-Foreign Cooperative Joint Venture Enterprise Law* (《中華人民共和國中外合作經營企業法》) and the *Wholly Foreign-Owned Enterprises Law* (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC.

On December 26, 2019, the State Council issued the *Regulations on Implementing the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020 and replaced the *Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law* (《中華人民共和國中外合資經營企業法實施條例》), *Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law* (《中外合資經營企業合營期限暫行規定》), the *Regulations on Implementing the Wholly Foreign-Owned Enterprise Law* (《中華人民共和國外資企業法實施細則》) and the *Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law* (《中華人民共和國中外合作經營企業法實施細則》).

Regulations Relating to Merger and Acquisition of Domestic Enterprises by Foreign Investors and Overseas Listing

According to the *Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") which were jointly adopted by the MOFCOM, the SAFE and other four ministries on August 8, 2006, took effect on September 8, 2006 and amended on June 22, 2009, "mergers and acquisitions of domestic enterprises by foreign investors" refers to: (a) a foreign investor converts a non-foreign invested enterprise (domestic company) to a foreign invested enterprise by purchasing the equity interest from the shareholder of such domestic company or the increased capital of the domestic company (the "**Equity Merger and Acquisition**"); or (b) a foreign investor establishes a foreign invested enterprise to purchase the assets from a domestic enterprise by agreement and operates the assets therefrom; or (c) a foreign investor purchases the assets from a domestic enterprise by agreement and uses these assets to establish a foreign invested enterprise for the purpose of operation of such assets (the "**Assets Merger and Acquisition**").

M&A Rules provides that mergers and acquisitions of domestic enterprises by foreign investors shall be subject to the approval of the MOFCOM or its delegates at provincial level. In the event that any domestic company, enterprise or natural person merges or acquires a domestic company that has affiliated relationship with it through an overseas company legally established or controlled by such domestic company, enterprise or natural person, the merger and acquisition applications shall be submitted to the MOFCOM for approval. Any circumvention on the requirement including domestic re-investment of a foreign invested enterprise is not allowed.

On December 24, 2021, the CSRC published the Draft Administrative Provisions, and the Draft Measures for Record-filing, which are open for public comments until January 23, 2022. Pursuant to the Drafts relating to Overseas Listings, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC joint stock companies; and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. The Drafts relating to Overseas Listings also stipulate certain circumstances in which overseas listing should not be allowed. Failure to complete the filing under the Administrative Provisions may subject a PRC domestic company to a warning and a fine of RMB1 million to RMB10 million. Under serious circumstances, the PRC domestic company may be ordered to suspend its business or suspend its business until rectification, or its permits or businesses license may be revoked. As of the Latest Practicable Date, the Drafts relating to Overseas Listings have not been formally adopted. The provisions and anticipated effective date of the Drafts relating to Overseas Listings are subject to changes and interpretation, and its implementation remains uncertain.

Foreign Exchange Regulation

The principal regulations governing foreign currency exchange in China are the *Regulations on Foreign Exchange Administration of the PRC* (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29,1996 and amended on January 14,1997 and August 5, 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiary.

In November 2012, SAFE promulgated the *Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Direct Investment* (《關於進一步改進和調整直接投資外匯管理政策的通知》), as amended in May 2015, which substantially amends and simplifies the foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the *Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents* (《關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》) in May 2013, as amended,

which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the *Circular of Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to 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》), or SAFE Circular 13, which became effective on June 1, 2015. Under SAFE Circular 13, the foreign exchange procedures are further simplified, and foreign exchange registrations of direct investment will be handled by the banks designated by the foreign exchange authority instead of SAFE and its branches. However, the foreign invested enterprises were still prohibited by SAFE Circular 13 to use the RMB converted from foreign currency-registered capital to extend entrustment loans, repay bank loans or inter-company loans.

On June 9, 2016, SAFE issued the *Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts* (《關於改革和規範資本項目結匯管理政策的通知》), or Circular 16, which took effect on the same day. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding Renminbi obtained from foreign exchange settlement are not restricted from extending loans to related parties or repaying the inter-company loans (including advances by third parties).

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, SAFE issued *Circular on Further Facilitating Cross-border Trade and Investment* (《關於進一步促進跨境貿易投資便利化的通知》), or Circular 28, which took effect on the same day. Circular 28 allows noninvestment foreign-invested enterprises to use their capital funds to 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. Since Circular 28 was issued only recently, its interpretation and implementation in practice are still subject to substantial uncertainties.

To use our offshore foreign currency to fund our PRC operations, we will apply to obtain the relevant approvals of SAFE and other PRC government authorities as necessary. Our PRC subsidiary's distributions to their offshore parents and our cross-border foreign exchange activities are required to comply with the various requirements under the relevant foreign exchange rules.

SAFE Circular 37

SAFE promulgated the *Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles* (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with their legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiary of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. On February 13, 2015, SAFE released SAFE Circular 13, under which qualified local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, from June 1, 2015. There exist substantial uncertainties with respect to its interpretation and implementation by government authorities and banks.

Regulation of Dividend Distribution

Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from our PRC subsidiary, which is a wholly foreign-owned enterprise incorporated in the PRC, to fund any cash and financing requirements we may have. The principal laws, rules and regulations governing dividend distribution by wholly foreign-owned enterprise in the PRC are the PRC Company Law, as amended, and the 2019 PRC Foreign Investment Law. Under these laws, rules and regulations, wholly foreign-owned enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A wholly foreign-owned enterprise is required

to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. 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.

Regulations Related to Tax

EIT

Under the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得税法》) (the "**EIT Law**"), which was first promulgated on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, and its implementing rules, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%. An enterprise established outside of the PRC with its "de facto management bodies" located within the PRC is considered a "resident enterprise," meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are "non-resident enterprises," and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions.

Pursuant to the EIT Law, the expenses of an enterprise for the research and development of new technologies, new products and new process may be additionally calculated and deducted when calculating the taxable amount of incomes. The implementation rules of the EIT Law specifies that, the term "additional deduction of research and development expenses" means that, where the research and development expenses that are actually incurred for the purpose to develop new technologies, new products and new crafts and do not constitute intangible assets are recorded into the current profit or loss, such expenses shall be deducted from the taxable income for the current year at 50% of the actual amount incurred in the current year and on an actual basis as required; if intangible assets are constituted, such expenses shall be amortized at 150% of the costs of the intangible assets before tax.

Pursuant to the *Notice on Increasing the Ratio of the Additional Deduction of Research and Development Expenses* (《關於提高研究開發費用税前加計扣除比例的通知》), which was promulgated by the Ministry of Finance of the PRC, the SAT and the Ministry of Science and Technology of the PRC on September 20, 2018 and became effective on the same day, with respect to the research and development expenses that are actually incurred in the research and development activities of the enterprise, an extra 75% of the actual amount of expenses is deductible before tax, in addition to other actual deductions, during the period from January 1, 2018 till December 31, 2020, provided that the said expenses are not converted into the intangible asset and balanced into the enterprise's current gains and losses; however, if the said expenses have been converted into the intangible asset, such expenses may be amortized at a rate of 175% of the intangible asset's costs before tax during the above-said period.

According to the EIT Law, certain high-tech enterprises are entitled to a reduced EIT rate of 15%. The *Administrative Measures for Certification of High and New Technology Enterprises* (《高新技術企業認定管理辦法》) which was amended on January 29, 2016 and became effective on January 1, 2016, provides that, an enterprise legally certificated as a High and New Technology Enterprise is entitled to apply for preferential income tax policies according to EIT law and relevant regulations. A qualified enterprise will be issued the High and New Technology Enterprise Certificate (高新技術企業證書) and the qualification of a certificated enterprise shall be valid for a term of three years from the issuance date of the certificate.

Pursuant to the *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income* (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Double Tax Avoidance Arrangement**") and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in charge tax authority. However, based on the *Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《關於執行税收協定股息條款有關問題的通知》) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. On February 3, 2018, the SAT issued the *Announcement on Certain Issues Concerning the Beneficial Owners in a Tax Agreement* (《關於税收協定中"受益所有人"有關問題的公告》) (the "**Circular 9**"), effective as of April 1, 2018, which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under China's treaties and similar arrangements. According to Circular 9, a beneficial owner generally must be engaged in substantive business activities and an agent will not be regarded as a beneficial owner and, therefore, will not qualify for these benefits.

Transfer Pricing

Pursuant to the EIT Law and its implement rules and the *Law of the People's Republic of China on the Administration of Tax Collection* (《中華人民共和國税收徵收管理法》), which was first promulgated on September 4, 1992 by the SCNPC and amended on February 28, 1995, April 28, 2001, June 29, 2013 and April 24, 2015, related party transactions should comply with the arm's length principle. In the event that the related party transactions fail to comply with the arm's length principle resulting in the reduction of the enterprise's taxable income, the tax authority has power to make adjustments with reasonable methods within ten years from the tax paying year that the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority.

Based on the *Announcement of the State Administration of Taxation on Matters Relating to the Improvement of Affiliated Declaration and Contemporaneous Document Management* (《國家税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 shall prepare their contemporaneous documentation of related-party transactions (同期資料) per tax year and submit to the tax authority if required by the same. Contemporaneous documentation includes the master file (主體文檔), local file (本地文檔) and special issue file (特殊事項文檔), each of which is applied to different circumstances in relation to the related-party transactions of the PRC company.

According to the *Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures* (《國家税務總局關於發佈特別納税調查調整及相互協商程序管理辦法的公告》) which partially repealed the *Implementation Regulations for Special Tax Adjustments (Trial)* (《特別納税調整實施辦法(試行)), and was issued on March 17, 2017 and became effective on May 1, 2017 and was amended on June 15, 2018, if an enterprise receives a special tax adjustment risk warning from tax authorities or detects in itself any special tax adjustment risk, the enterprise may carry out voluntary adjustments regarding tax payment matters and the relevant tax authority may still proceed with special tax investigation adjustment procedures according to the relevant provisions.

VAT and Business Tax

Pursuant to the *Provisional Regulations on Value-Added Tax of the PRC (2017 Revision)* (《中華人民共和國增值税暫行條例》(2017年修訂)) as amended on November 19, 2017 by the State Council, and its implementation regulations, unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate is 17%. According to provisions in the *Notice on Adjusting the Value added Tax Rates (Caishui [2018] No. 32)* (《關於調整增值税税率的通知(財税[2018]32號)》) issued by MOF and the SAT on April 4, 2018, where taxpayers make VAT taxable sales or

import goods, the applicable tax rates shall be adjusted from 17% to 16% and from 11% to 10%, respectively. The Notice takes effect on May 1, 2018, and the adjusted VAT rates take effect at the same time according to the Notice.

Pursuant to provisions in the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform (Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs [2019] No. 39)* (《關於深化增值税改革有關政策的公告》) (财政部、税務總局、海關總署公告2019年第39號) issued by Ministry of Finance, SAT and General Administration of Customs on March 20, 2019, with respect to VAT taxable sales or imported goods of VAT general taxpayers, the applicable tax rates shall be adjusted from 16% to 13% and from 10% to 9%, respectively. The Announcement took effect on April 1, 2019, and the adjusted VAT rates has come into effect at the same time according to the Announcement.

According to *The Notice of the Ministry of Finance and the State Administration of Taxation on VAT and Consumption Tax Policies for Exported Goods and Services* (《財政部、國家税務總局關於出口貨物勞務增值税和消費税政策的通知》), which was promulgated on May 25, 2012 by the Ministry of Finance of the PRC and SAT, of which some terms became effective from January 1, 2011, and other terms became effective from July 1, 2012, exported goods and services of export enterprises are eligible for VAT exemption and refund policy. Except for the export VAT refund rate (hereafter referred to as the "tax refund rate") otherwise provided for by the Ministry of Finance and SAT according to the decision of the State Council, the tax refund rate for exported goods shall be the applicable tax rate. SAT shall promulgate the tax refund rate through the Tax Refund Rate Catalogue of Exported Goods and Services according to the aforesaid provisions for the implementation of the tax authorities and taxpayers. In the event of adjustment to the tax refund rate, the implementing date shall be subject to the export date as indicated in the Customs Declaration of Goods for Export (specifically for export tax refund) (including the goods under process, repair and fitting) except as otherwise provided.

Labor, Social Insurance and Housing Accumulation Funds

Labor Contract

Pursuant to the *Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》) released by the SCNPC on June 29, 2007 with effect from January 1, 2008, which was then amended and released on December 28, 2012 and came into force on July 1, 2013, the principle of lawfulness, fairness, equality, free will, negotiation for agreement and good faith shall be observed in the formation of a labor contract. An employer shall establish a sound system of employment rules in accordance with the laws so as to ensure that its employees enjoy the labor rights and perform the employment obligations.

Social Insurance and Housing Accumulation Funds

As required under the *Regulation of Insurance for Labor Injury* (《工傷保險條例》) first implemented on January 1, 2004 and amended in 2010, the *Provisional Measures for Maternity Insurance of Employees of Corporations* (《企業職工生育保險試行辦法》) came into effect on January 1, 1995, the *Decisions on the Establishment of a Unified Programme for Basic Old-Aged Pension Insurance of the State Council* (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the *Decisions on the Establishment of the Medical Insurance Programme for Urban Workers of the State Council* (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the *Unemployment Insurance Measures* (《失業保險條例》) promulgated on January 22, 1999, the *Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) amended by the State Council and coming into effect on March 24, 2019 and the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) which was released by the SCNPC on October 28, 2010, came into force on July 1, 2011 and was then amended on December 29, 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

Pursuant to the *Regulation on the Administration of Housing Accumulation Funds* (《住房公積金管理條例》) released by the State Council on April 3, 1999 and came into force on the same day, which latest amended by the State Council and coming into effect on March 24, 2019, an employer shall pay the housing accumulation funds for its employees in accordance with the relevant provisions of the state.

On September 18, 2018, the general meeting of State Council announced that the policies for social insurance shall remain unchanged until the reform has been completed for the transfer of the authority for social insurance from the Ministry of Human Resources and Social Security to the SAT on January 1, 2019. On September 21, 2018, the Ministry of Human Resources and Social Security released an *Urgent Notice on Notice of Certain Measures on Further Supporting and Serving the Development of Private* (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) and required that the policies for both the rate and basis of social insurance contributions shall remain unchanged until the reform on the transfer of the authority for social insurance has been completed. On November 16, 2018, the SAT released the *Notice of Certain Measures on Further Supporting and Serving the Development of Private* (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), which provided that the policy for social insurance shall remain stable and the SAT will pursue to lower the social insurance contribution rates with the relevant authorities, and ensure the overall burden of social insurance contribution on enterprises will be lowered.

Intellectual Property

According to the *Regulations for the Protection of Computer Software* (《計算機軟件保護條例》) which was promulgated by the State Council on June 4, 1991 and implemented on October 1, 1991, and subsequently revised on December 20, 2001, January 8, 2011 and January 30, 2013, and the *Measures for Computer Software Copyright Registration* (《計算機軟件著作權登記辦法》) which was promulgated and implemented by the Ministry of Machine Building and Electronics Industry (currently known as the Ministry of Industry and Information Technology (the "**MIIT**")), on April 6, 1992 and subsequently revised by the National Copyright Administration on February 20, 2002, the software copyright holder can register the software copyright registration to the Copyright Protection Center of China, which is the software registration agency identified by the State Copyright Administration.

Trademark

Pursuant to the *Trademark Law of the PRC* (《中華人民共和國商標法》) released by the SCNPC on August 23, 1982 with effect from March 1, 1983, which was newly amended on April 23, 2019 and implemented on November 1, 2019, and the *Implementation Regulations on the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》) which was amended by the State Council on April 29, 2014 and became effective from May 1, 2014, any enterprise which needs to acquire the right to exclusively use a trademark on the goods or services thereof in the course of its business operation shall apply to the Trademark Office for trademark registration. The period of validity of a registered trademark shall be ten years from the day the registration is approved. When it is necessary to continue using the registered trademark upon expiration of period of validity, an application for renewal shall be made within 12 months before the expiration. If such an application cannot be filed within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be ten years as of the next day of the previous period of validity. If the formalities for renewal have not been handled upon expiration of period of validity, the registered trademarks will be deregistered. Without the authorization of the owner of the registered trademark, using a trademark that is identical with or similar to a registered trademark on the same goods or that is identical with or similar to a registered trademark on the similar goods which could possibly cause confusion, constitutes an infringement of the exclusive right of a registered trademark. The infringer shall, in accordance with the regulations, cease the infringement, take remedial action and pay damages, etc.

Patent

Patents in the PRC are principally protected under the *Patent Law of the PRC* (《中華人民共和國專利法》), or the Patent Law. The Patent Law and its implementation rules provide for three types of patent: "invention," "utility model" and "design." The protection period is 20 years for invention patents and 10 years for utility model patents and design patents, commencing from their respective application dates. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, utility model or design, a patent will be granted to the

person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use of said patent constitutes an infringement of the patent rights, and shall pay compensation to the patentee and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law. On October 17, 2020, the SCNPC promulgated the newly amended Patent Law, or the New Patent Law, which became effective on June 1, 2021. The New Patent Law introduced, among the others, a patent protection period compensation system in the event of unreasonable delay, and punitive damages for willful patent infringement under severe circumstances.

Domain Name

Pursuant to the *Administrative Measures for Internet Domain Names* (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and coming into effect on November 1, 2017, the establishment of any domain name root server and institution for operating domain name root servers, managing the registration of domain name and providing registration services in relation to domain name within the territory of China shall be subject to the approval of the Ministry of Industry and Information Technology or provincial, autonomous regional and municipal communications administration. The registration of domain name shall follow the principle of "first apply first register." The *Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services* (《工業和信息化部關於規範互聯網信息服務使用域名的通知》) promulgated by the Ministry of Industry and Information Technology on November 27, 2017 and coming into effect on January 1, 2018 specifies the obligation of anti-terrorism and maintaining network security of internet information service providers.

REGULATIONS RELATING TO CYBERSECURITY

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law, which became effective on June 1, 2017. The Cybersecurity Law requires network operators to comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. The Cybersecurity Law further requires network operators to take all necessary measures in accordance with applicable laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to cybersecurity incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data.

On April 13, 2020, the CAC, NDRC and several other administrations jointly promulgated the Cybersecurity Review Measures, which became effective on June 1, 2020. The Cybersecurity Review Measures establish the basic framework for national security reviews of network products and services, and provide the provisions for undertaking cybersecurity reviews. The Cybersecurity Review Measures requires that where critical information infrastructure operators purchase network the product or service, which affects or may affect

national security, a cybersecurity review is required. The Cybersecurity Review Office, responsible for developing the related rules and procedures on cybersecurity review and organizing cybersecurity reviews, is located at the CAC.

On July 30, 2021, the State Council of the PRC published the Security Protection Regulations on the CII Regulations, which was passed by the State Council on April 27, 2021 and took effect on September 1, 2021. The CII Regulations offer a more detailed definition of the critical information infrastructure than that in the Cybersecurity Law, and add "national defense and technology industries" to the scope of the important industries and sectors. The CII Regulations further impose the compliance obligations of critical information infrastructure operators as: (i) establishing comprehensive cybersecurity protection systems and accountability systems; (ii) setting up a specified security management function to security protection works; (iii) carrying out cybersecurity inspections and risk assessments; (iv) undertaking cybersecurity reviews and entering into confidentiality agreements when purchasing network products and services; and (v) reporting cybersecurity incidents or threats to authorities.

On November 14, 2021, the CAC promulgated the Draft Data Security Regulations which further expands the scope of the application for security review, establishes the data classification and protection system, and defines the relevant rules for cross-border data management. It provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests that affects or may affect national security; (ii) "foreign listing (國外上市)" of data processors processing over one million people's personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. The Draft Data Security Regulations also provides that operators of large internet platforms that set up headquarters, operation centers or R&D centers offshore (境外) shall report to the national cyberspace administration and competent authorities. In addition, the Draft Data Security Regulations requires data processors processing over one million people's personal information to comply with the regulations on important data processors, including, among others, appointing a person in charge of data security and establishing a data security management organization, filing with the competent authority within fifteen working days after identifying its important data, formulating data security training plans and organizing data security education and training for all staff every year, and that the education and training time of data security related technical and management personnel shall not be less than 20 hours per year.

During our business operations, the data we collect is mainly the mailing address used by our overseas customers, in particular, it is not excluded that such customers may be Chinese people. The data will be transmitted to our ERP system in the PRC for the use of subsequent shipments. Such processing may be interpreted as the possibility that we use the internet to carry out data processing activities in the PRC, and thus need to comply with the Draft Data

Security Regulations. The criteria for determining "affect or may affect national security," as stipulated in the Draft Data Security Regulations, are uncertain, remain to be observed and are subject to further elaboration by the CAC.

As of the Latest Practicable Date, the Draft Data Security Regulations had not come into effect and the public comment period of the Draft Data Security Regulations ended on December 13, 2021. There is no timetable as to when the Draft Data Security Regulations will be enacted.

On December 28, 2021, the CAC promulgated the Cybersecurity Review Measures and became effective on February 15, 2022, which provides that (i) operators of "critical information infrastructure" that intend to purchase network products and services that will or may affect national security shall apply for a cybersecurity review, and (ii) network platform operators with personal information of more than one million users will be required to apply to the Cybersecurity Review Office for a cybersecurity review in the event of a "foreign listing." Our PRC Legal Advisors are of the view that listing in Hong Kong does not fall within the scope of "foreign listing" under the Cybersecurity Review Measures and thereby would not trigger the cybersecurity review. The Cybersecurity Review Measures replaced the Cybersecurity Review Measures promulgated on April 13, 2020. The PRC government authorities have wide discretion in the interpretation and enforcement of these laws and regulations, including the interpretation of "national security" or identifying any entity to meet any of the above cybersecurity review criteria.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Outbound Data Transfer, which became effective on September 1, 2022. These measures shall apply to the security assessment of the outbound data transfer. Where there are other provisions in laws and administrative regulations, such other provisions shall prevail. These Measures specify that an outbound data transfer by a data processor that falls under any of the following circumstances, the data processor shall apply to the CAC for the security assessment via the local provincial-level cyberspace administration authority: (i) outbound transfer of important data by a data processor; (ii) outbound transfer of personal information by a critical information infrastructure operator or a personal information processor who has processed the personal information of more than 1,000,000 people; (iii) outbound transfer of personal information by a personal information processor who has made outbound transfers of the personal information of 100,000 people cumulatively or the sensitive personal information of 10,000 people cumulatively since January 1 of the previous year; or (iv) other circumstances where an application for the security assessment of an outbound data transfer is required as prescribed by the CAC. The data processing entities need to carry out a self-assessment before they can apply through provincial CACs for a security assessment to be carried out and approved by the CAC at the central level. These measures also include a six-month grace period. For outbound data transfers that are carried out prior to the implementation of these Measures but are not in compliance with the Measures, the rectification must be completed within six months.

REGULATIONS RELATING TO PERSONAL INFORMATION OR DATA PROTECTION

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law, which became effective on June 1, 2017. The Cybersecurity Law requires network operators to comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Pursuant to the Cybersecurity Law, the "personal information" refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify individuals' personal information including but not limited to: individuals' names, dates of birth, ID numbers, biologically identified personal information, addresses and telephone numbers, etc.

The Cybersecurity Law provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data are gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data are gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data are collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception. Furthermore, under the Cybersecurity Law, network operators of critical information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC.

Pursuant to the *Ninth Amendment to the Criminal Law of the PRC* (《中華人民共和國刑法修正案(九)》), issued by the SCNPC in August 2015, which became effective in November 2015, any internet service provider that fails to fulfill its obligations related to internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty. In addition, on May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate issued the *Interpretations on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information* (《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》) (the "**Interpretations**"), which became effective on June 1, 2017 and stipulates that the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

On June 10, 2021, the SCNPC passed the Data Security Law, which became effective as of September 1, 2021. The Data Security Law is broadly applicable to and will impact all operators that engage in the processing of all types of data. The Data Security Law defines "data" as any record of information in electronic or other forms, and "data processing" includes the collection, storage, use, processing, transmission, availability and disclosure of data and others. The Data Security Law shall apply to data processing activities and security supervision of such activities within the territory of the People's Republic of China; where data processing activities outside the territory of the PRC damage the national security, public interests or the legitimate rights and interests of citizens and organizations, it shall also be subject to the Data Security Law.

The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data are tampered with, destroyed, leaked, or illegally acquired or used, and provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information.

On August 20, 2021, the SCNPC passed the PIPL, which became effective on November 1, 2021. The PIPL defines personal information as all kinds of information, recorded by electronic or other means, related to identified or identifiable natural persons, not including information after anonymization. The PIPL shall apply to the processing of the personal information of natural persons within the territory of the PRC; the PIPL shall also apply to the processing of the personal information of Chinese people outside the territory of the PRC when: (i) where the purpose is to provide Chinese people with products or services; (ii) where the activities of Chinese people are analyzed and evaluated; and (iii) other circumstances as prescribed by laws and regulations.

The PIPL further supplements the existing data protection regime previously established by the Cybersecurity Law. Instead of relying only on "notification and consent" as established in the Cybersecurity Law, the PIPL expands the legal bases for processing personal information by adding the following bases: where it is necessary to conclude or perform a contract or carry out human resources management; where it is necessary to perform statutory responsibilities or statutory obligations; where it is necessary to respond to a public health emergency or protecting individual's interest or safety in an emergency; where it is necessary to carry out activities in the public interest; where the relevant personal information that has either been disclosed by the relevant individual or otherwise been legally disclosed, is processed within a reasonable scope according to law; and other circumstances as provided by laws or administrative regulations.

Pursuant to the PIPL, processors shall take necessary measures to ensure the security of the personal information processed. The PIPL provides the rights of data subjects, including right to information, right to object and right to restriction of processing, right of access, right to portability, right to rectification, right to erasure, right to explain processing rules, right for close relatives of a dead person.

The PIPL requires that critical information infrastructure operators, as well as processors who process personal information that reaches a certain threshold, must store personal information within the territory of China. Where cross-border transfer of personal information is indeed necessary, such transfer must pass a security assessment organized by the CAC. Other personal information processors may conduct cross-border transfer of personal information upon satisfying one of the following requirements: (i) passing the security assessment by the CAC; (ii) obtaining certification of data security by a professional body recognized by the CAC; (iii) entering into an agreement with the overseas recipient with provisions governing the rights and obligations of the parties based on a template contract to be released by the CAC; or (iv) other requirements as provided by relevant laws and regulations.

Processors shall also conduct personal information protection impact assessment in advance when processing sensitive personal information, using personal information to conduct automated decision-making, entrusting personal information processing, providing personal information to other personal information processors, or disclosing personal information, providing personal information abroad, and conducting other personal information handling activities with a major influence on individuals.

The Draft Data Security Regulations also regulates other specific requirements in respect of the data processing activities conducted by data processors through the internet in view of personal data protection, important data safety, cross-border data safety management and obligations of internet platform operators. Pursuant to the Draft Data Security Regulations, data processors processing personal information of more than one million people shall also comply with the provisions for processing of important data, and specific requirements for the processing of important data shall be complied with. For example, processors of important data shall specify the responsible person of data safety, establish a data safety management department and make filing to the cyberspace administration at the districted city level within 15 business days after the identification of their important data.

Data processors dealing with important data or offshore listing (including Hong Kong) should carry out an annual data security assessment by themselves or by entrusting data security service agencies, and each year before January 31, data security assessment report for the previous year shall be submitted to the districted city level cyberspace administration department. When data collected and generated within the PRC are provided by the data processors overseas, if such data includes important data, or if the relevant data processor is a critical information infrastructure operator or processes personal information of more than one million people, the data processor shall go through the security assessment of cross-border data transfer organized by the CAC.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE UNITED STATES

Businesses operating in the United States are subject to a variety of federal, state and local laws and regulations (the "**U.S. Regulations**"). The U.S. Regulations expected to be material to our operations are those relating to, among others, product safety, product liability, data privacy and customs and imports procedures as described below.

Product Safety

The law of product safety is primarily under the jurisdiction of the U.S. Consumer Product Safety Commission (the "**CPSC**"), an administrative agency of the United States federal government that regulates certain classes of products sold to the public. The CPSC was established pursuant to the 1972 Consumer Product Safety Act (as amended, the "**CPSA**"). The CPSA is the umbrella statute at the federal level with respect to product safety for consumer products.

The CPSA was amended by the U.S. Consumer Product Safety Improvement Act of 2008 (the "**CPSIA**") in 2008. The implementation of CPSIA was a significant overhaul of consumer product safety laws in the United States and was designed to enhance federal and state efforts to improve the safety of all products imported into and distributed in the United States. Products imported into the United States which fail to comply with CPSIA's requirements are subject to confiscation and the importer and/or distributor in the United States is subject to civil penalties and fines, as well as possible criminal prosecution.

Under the CPSIA, a "general conformity certification" is required for any consumer product imported into the United States that is subject to a consumer product safety rule, standard, regulation, or ban pursuant to the CPSA or issued by the CPSC. The requirement applies to all subcontractors and importers of goods. Those parties must certify that their products comply with all applicable consumer product safety rules and laws such as the CPSA, the Flammable Fabrics Act, the Federal Hazardous Substance Act, and the Poison Prevention Act. The CPSA specifies that certification must be based on a "test of each product or a reasonable testing program." The certificate must accompany the product or shipment of products, and a copy must be furnished to each distributor or retailer and U.S. Customs and Border Protection (the "**CBP**"). The CPSC may also request a copy of the certification.

The CPSA also contains several reporting requirements for subcontractors and sellers of consumer products sold in the U.S. Section 15 of the CPSA requires a manufacturer or a seller to inform the CPSC immediately in the event it obtains information that any of its products: (1) creates a substantial risk of injury to consumers; (2) creates an unreasonable risk of serious injury or death; or (3) fails to comply with an applicable consumer product safety rule or with any other rule, regulation, standard, or ban under the CPSA or any other statute enforced by the CPSC. The CPSC may require the manufacturer or the seller to cease distribution of the product, and notify each person to whom the manufacturer or the seller knows such product was sold of such noncompliance, defects or risk. In certain circumstances, the CPSC may require the manufacturer or the seller to bring the product into conformity with the applicable

product safety rules, repair the defect in the product, replace the product with an equivalent product that complies with the applicable product safety rules, issue a product recall and/or refund the purchase price of the product.

Proposition 65

Proposition 65, officially known as the Safe Drinking Water and Toxic Enforcement Act of 1986 (the "**Prop 65**"'), is a California law that requires that California consumers receive warnings regarding the presence of more than 800 chemicals known to cause cancer and/or reproductive toxicity. The law is highly technical, constantly evolving, and actively enforced by the government and private enforcement action. Under Prop 65, any person in the course of doing business must provide a "clear and reasonable warning" before exposing individuals to listed carcinogens and reproductive toxins in their products. Prop 65 provides detailed requirements for the form, content, and placement of the required warning.

The probability that a company will be subject to Prop 65 regulations is high because of how broadly the statute is worded. If a company manufactures, imports, distributes or sells a product that will be sold in California either through brick and mortar or online stores, or if a company has a physical presence of any kind in California (retail, office, warehouse, facility, factory, plant, etc.), then that company must abide by Prop 65 requirements. Recently, the California Office of Environmental Health Hazard Assessment (OEHHA) adopted a significant amendment to the Prop 65 warning requirement allowing companies to provide notice of the potentially toxic product either to the authorized agent for the business to whom they are selling or transferring the product, i.e., the next business in line, or to the authorized agent for the retail seller. Although this amendment appears to minimize the burden on companies, paying careful attention to Prop 65 requirements is encouraged. Auditing Prop 65 compliance well in advance could mean avoiding costly lawsuits, the loss of valuable business opportunities or relationships, large monetary penalties, serious financial or reputational damage, or even product recalls.

Product Liability Law

U.S. state law generally imposes liability on all subcontractors and retailers (and parties in the supply chain) for injuries that result from unsafe, defective and dangerous products sold to consumers. Product liability claims in the United States are typically based on three theories of law: (1) strict liability, (2) negligence and (3) breach of warranty. In addition, as noted above, U.S. laws and regulations can also obligate subcontractors and retailers (and parties in the supply chain) to remedy product defects, which can include safety recall campaigns.

Parties involved in manufacturing, distributing or selling a product may be subject to liability for harm caused by a defect in that product. There are three types of product defects, namely, design defects, manufacturing defects and defects in marketing. In a negligence claim, a defendant may be held liable for personal injury or property damage caused by the failure to use due care. Strict liability claims, however, do not depend on the defendant's level of care. Instead, a defendant is liable when it is shown that an injury (personal or to property) occurred

as the result of a product's defect. Breach of warranty is also a form of strict liability in the sense that a showing of fault is not required. The plaintiff need only establish the warranty was breached, regardless of how that came about. Companies that manufacture, distribute or sell a product in a particular state may be subject to the jurisdiction of such state's product liability laws, whether the company's jurisdiction of incorporation or principal place of business is in that state, in another U.S. state or in a non-U.S. jurisdiction.

Product liability legal actions and recall campaigns in the United States could involve personal injury and property damage and could involve claims for substantial monetary damages. The results of any future litigation and claims involving product liability in the United States are inherently unpredictable. Based on our past experience, we do not anticipate that, in the aggregate, the outcome of any such litigation and claims involving us will have a material effect on our consolidated financial position or liquidity; however, such outcome could be material to our results of operations in particular period in which costs, if any are recognized by us.

Data Privacy

We are subject to a variety of laws and regulations in the United States that involve privacy, data protection and personal information, data security, and data retention and deletion. In particular, we are subject to federal, state, and foreign laws regarding privacy and protection of people's data. U.S. federal and state laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from state to state and country to country and inconsistently with our current policies and practices.

Import Tariffs and Customs Regulations

United States customs regulations (the "**Customs Regulations**"), administered by CBP apply to any products entering the United States. Those regulations cover, among other areas, valuation of goods, classification, recordkeeping requirements, entry formalities, and laws related to duties and tariffs. The United States imposes tariffs on certain goods imported from various countries. Tariff rates are generally set forth in the Harmonized Tariff Schedules of the United States (the "**HTSUS**"). Note that embargoes, antidumping duties, countervailing duties, and other specific matters administered by the United States executive branch are not contained in the HTSUS and that various regulations or administrative actions could result in modification of these duties. Section 201 of the Trade Act of 1974, 19 USC §2101 et. seq. (the "**Trade Act**") permits the President of the United States to grant temporary import relief by raising import duties or imposing non-tariff barriers (e.g., quotas) on goods entering the United States that injure or threaten to injure domestic industries producing similar goods. Section 301 of the Trade Act authorizes the President of the United States to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practice of a foreign

government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce. The law does not require that the U.S. government wait until it receives authorization from the World Trade Organization to take such enforcement actions.

Currently, U.S. and China trade policy has given rise to the imposition of significant additional tariffs on products imported into the United States from China, and vice versa, under Sections 201 and 301 of the Trade Act. To date, four lists of products imported from China, identified by HTSUS codes, have been issued with various tariff impositions. Most recently, on September 1, 2019, the U.S. government imposed additional tariffs on specific products on List 4 (the "**Product List**") to be imported from China to the U.S. (the "**Additional Tariffs**"). Certain Additional Tariffs that were intended to go into effect in December 2019 were reduced in half.

Depending on the latest development of the trade negotiations between the U.S. and China, the level and number of products subject to additional tariffs may change over time.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN GERMANY

Product Compliance

As a general rule it can be stated that each product, which is put into the German market must be designed, manufactured and being provided with appropriate user information (manuals, warning messages as well as safety signs and labels) in a way that any hazardous situation in course of the product use will be avoided. This rule is reflected by rules and regulations within the Law on Product Safety and the Product Liability Law in Germany. Furthermore, a product may be subject to further legal requirements imposing formal requirements on the economic operators (manufacturers, importer and distributors) such as a specific certification or documentation of the product quality. Before entering the German market a proper product compliance organization must be managed to ensure the fulfilment of the aforementioned requirements. In detail the legal framework on which the product compliance shall apply consists for the scope of products in question of:

Law on Product Safety

The Law on Product Safety of Germany consists of a framework of general rules such as the Law on Product Safety ("Produktsicherheitsgesetz – ProdSG"), as well as the 14 German product safety regulations, depending on the specific nature of the product ("*Produktsicherheitsverordnungen*"), the Law on Market Surveillance ("Marktüberwachungsgesetz – MüG") as well as European Regulation on Market Surveillance EU 2019/2020, specific regulations dealing with specific products mainly based on EU law and general rules applicable to any kind of products. Products that do not comply with the Law on Product Safety cannot be distributed in Germany nor the EU. These rules and regulations do apply automatically when the product enters the German market. All these rules and regulations are compulsory and cannot be excluded nor modified by a contractual agreement.

The market surveillance authorities are entitled and obliged to take appropriate measures to enforce the Law on Product Safety, when they have reason to suspect that a product does not comply with the requirements stipulated therein. Such measures include, but are not limited to issuing a warning with regard to the use of the products, prohibiting the trade of the products, ordering that such products be withdrawn or recalled, and/or seizing of non-compliant products, as well as destroying or having them destroyed or otherwise rendered unusable. In practise such measures could have an immense impact on distributing the products. The measures can be imposed by the market surveillance authorities on any economic operators having a business seat in Germany and being part of the supply chain to the end consumer (also internet service provider are deemed as economic operators). Furthermore, non-compliance with product safety regulations is subject to fines and the forfeiture of profits earned by the relevant products.

For the products in question, the following rules and regulations have to be observed:

- Textile products are subject to the "**European Regulation (EU) 1007/2011 on textile fibre names and related labelling and marking of the fibre composition of textile products**." This regulation contains the general requirement to label textile products composed of textile fibres and to mark or accompany the same with specific "commercial documents." For Germany the content of this regulation has been transferred to a specific Law – the Law on Execution of the Regulation (EU) No. 1007/2011.

- Textile products may be made of material which is treated with chemicals or substances. Those may be absorbed by such material as for example leather absorbing Chrome VI as substance used in course of tanning the leather. Consequently the restrictions applicable to hazardous substance apply to textile products – the Regulation (EC) 1907/2006 of European Parliament and of the Council of December 18, 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (**REACH**) has to be observed. REACH addresses in the first instance manufactures and importers of substances and mixtures as such but states as well a general rule, saying that restricted substances or mixtures contained within an article must not be placed on the market. Consequently those restrictions defined in REACH must be monitored as well by manufacturers and distributors of textiles. Currently so called nanomaterials which can be used in textile materials to improve the characteristics such as water resistance are a big issue. Some of these are substances under observation and could be restricted in use in the nearest future. In addition to a large number of adaptations and additions to the existing legal framework, the current year 2022 is dominated by the upcoming amendment of the Regulation. In particular, the so-called authorisation candidate list was extended by four entries. The list now comprises 223 entries, which must be taken into account directly both for communication in the supply chain according to Art. 33 REACH and for notifications in the SCIP database. For the newly included substances, there is initially a transitional period of six months. However, the most far-reaching changes will certainly be associated

with the revision of the REACH Regulation. The goal is still to have a Commission draft for the implementation of the adjustments by the end of 2022. In the course of the year, there will be a multitude of opportunities and necessities for the participation of industry representatives. The main objectives of an adaptation of the REACH Regulation follow the "Chemicals Strategy for Sustainability," Consequently, the focus will be on measures for the targeted implementation of requirements for so-called "safe and sustainable by design chemicals," the introduction of "non-toxic material cycles" and the establishment of an "essential use concept." In addition, the most hazardous substances as well as endocrine disruptors will be considered, as will assessment criteria for mixtures. As a cross-cutting issue, the "one substance, one assessment" approach will receive special attention for a series of product law requirements. It should also be noted that the chemicals strategy also envisages a "zero tolerance" policy for violations of existing requirements. To this end, enforcement measures are to be strengthened, both at the external borders of the EU and at the level of the individual Member States.

- Textile products for which a specific functionality applies such as for Personal Protective Equipment such as working garment could be object of the Regulation (EU) 2016/425 of the European Parliament and of the Council of March 9, 2016 on personal protective equipment (**PPR**). The PPR applies to a wide range of personal protective equipment, which provides protection amongst others against superficial mechanical injury, contact with hot surfaces or damage to the eyes due to exposure of sunlight. PPR products need a CE-marking which is based on a CE conformity assessment conducted by the manufacturer and in some cases approved by a notified body.

- If the textile products are intended to be used by children, these products could be deemed as Toys in the meaning of Directive 2009/48/EC of the European Parliament and of the Council of June 18, 2009 on the safety of toys (**TD**). A toy in the meaning of the TD is a product for the purpose of playing even if the playing is only part of the intended use such as it would be the case for clothing in the shape of a dragon which can be used as a child costume as well. The application of the TD would result in a compulsory CE-marking which is based on a CE conformity assessment conducted by the manufacturer and in some cases approved by a notified body.

- Further it should be noted that textile products can be labelled by the **EU Ecolabel** under specific conditions which are defined in the Commission Decision of June 5, 2014 establishing the ecological criteria for the award of the EU Ecolabel for textile products. The manufacturer has to apply for such a label; any unauthorised use of such label would be seen as an act of unfair competition and competitors as well as consumer associations can claim to refrain from any promotion of such falsely marked products.

- Furthermore, Regulation (EC) 528/2012 concerning the making available on the market and use of biocidal products of May 22, 2012, restrict the use of certain biocidal products in articles imported in the EU such as antibacterial, anti-mould and anti-odor products.

In addition, Directive (EU) 2001/95 on general product safety (being under revision and being replaced in short time by the Regulation on General Product Safety) is to be observed, to which a German law equivalent, the German Product Safety Law (*Produktsicherheitsgesetz* "*ProdSG*"), corresponds. The rules of market surveillance (European Regulation (EU) 2019/1020 as well as the MüG) have founded a legal framework to further develop and strengthen the market surveillance authorities. In particular legal rules have been established to increase the efficiency of market surveillance at the EU borders as well as within the Online market. The EU Product Safety Regulation is thus intended to establish basic safety requirements for consumer products and obligations for economic operators. A particular concern of the proposal is the stronger coverage of online trade; in this respect, a synchronisation with the so-called EU Market Surveillance Regulation is to be achieved. Even though the laws in question have now been in force for almost six months, it can be assumed that it will only be possible to make reliable forecasts on the interpretation of individual provisions sometime in the further course of 2022. This applies, for example, to the practically important question of the admissibility of digital instructions or the market monitoring of online trade with new obligations of economic actors that have been brought forward in time.

Briefly summarized, those aforementioned regulations, amongst others, provide for requirements regarding product properties (such as restrictions on substances), product labelling (such as the product itself as well as the manufacturer/importer identification domiciled in the European Economic Area, applicable markings and moreover proper instruction and information to users (e.g. such as warnings)).

Product Liability Law

In Germany, either the seller or the producer, or both jointly, can be held liable if the product is defective. The harmed person may assert claims arising from product liability, producer liability, and warranty for defects. The rules for liability are to be found in the German Product Liability Law ("*Produkthaftungsgesetz – ProdHaftG*") and the German Civil Code ("*Bürgerliches Gesetzbuch, – BGB*") as well as in special laws.

Pursuant to the BGB, if a product does not meet the quality or the quantity which has been agreed and may be expected or if the product does not fit the conventional or agreed application scenario, the seller in principle must either supply the customer with a defect-free product or repair the defective product. For this purpose, the buyer must set the seller a so-called grace period. A prerequisite in general is that the defect had already existed at the time of handover to the buyer. However, if the buyer is a consumer, it is presumed within the first year that the defect already existed at the time of handover. The seller can challenge this presumption by taking appropriate measures. Moreover, no time limit has to be set. Hence, it is sufficient if the buyer informs the seller about the defect and a certain period of time passes without the seller

remedying the situation. Unless otherwise agreed by contract, the warranty rights shall expire after two years in general, beginning with the dispatch of the goods. However, exceptions apply again to consumers. For example, the period is extended by four months in the case of a defect that has become apparent within the regular warranty period. In case the seller repairs the goods due to a defect, the period is extended by two months. In some circumstances, recourse may be taken against the producer provided recourse from seller to producer is admissible which is also regulated by the so-called entrepreneur's recourse according to paragraph 445a BGB (*Rückgriff des Verkäufers*). In addition, in the event that a guarantee is granted, the guarantee statement must now be drafted in a simple and comprehensible manner and made available to the buyer on a durable medium, e.g. in paper form or by e-mail, or pdf file, at the latest by the time of delivery of the purchased item. In the future, a guarantee which traders or manufacturers may grant to the buyer must have certain mandatory contents (i.e. indication that recourse to the statutory rights in respect of defects is free of charge and that these rights are not limited by the guarantee, the name and address of the guarantor, procedure for claiming under the guarantee, i.e. the trader must describe how the consumer obtains his guarantee benefit exact designation of the object of purchase for which the guarantee is granted, the duration and territorial scope of the guarantee.).

(a) Liability Law

In the event a product has caused damage to persons or items (other than the defective product), the producer is strictly liable pursuant to the German Product Liability Law ("*Produkthaftungsgesetz – ProdHaftG*"). Such a damage may also be caused through textile products. Liability under the ProdHaftG can neither be restricted nor excluded in advance. In principle, the individual who suffered damage must (only) prove the fault, the damage, and the causal link between fault and damage, as liability under the ProdHaftG is a so-called strict liability ("*verschuldensunabhängige Haftung*"). The maximum liability for damages relating to a human being as a consequence of a defective product is EUR 85 million.

The ProdHaftG applies, if the harmed party has its habitual residence in Germany and the defective product was placed on the German market or if the defective product was bought in Germany and was placed on the German market or if the harm arose in Germany and the defective product was placed on the German market. It is sufficient that the producer could reasonably foresee that a product might be placed on the German market by another market participant, e.g. one of its customers, to be liable under the ProdHaftG. Thus, it is not necessary that the defective product was imported to Germany by the producer. Comparable regulations also apply in the other Member States of the EU.

(b) Under Tort Law

Additionally, producers as well as under certain circumstances sellers, can also be held liable pursuant to tort law under the BGB if the product is defective. In this respect, the manufacturer has the obligation to properly design and produce a product, to instruct on its use and to monitor it (see also below). Any negligent or intentional breach of the producer's obligations causing damage to property, life, body, health or freedom of a third party or any violation of a protective law causing such damage (cf. paragraph 823 subpara. 2 BGB) may result in a liability towards the harmed party. In addition to the damage to one of the aforementioned legal interests, fault on the part of the damaging party ("*Verschulden*") is also a precondition for an obligation to compensate for damages. The liability under German tort law is in principle unlimited and there is a liability for all damages caused by the defective product.

According to case law, the producer is also obliged to observe the market (*Pflicht zur Produktbeobachtung*). This constitutes a producer's duty of investigation and reaction since product safety and compliance first and foremost lies in the producer's responsibility.

Laws and Regulations about E-Commerce/Data Privacy

In Germany, there are various legal regulations in the area of e-commerce and data protection, to which a company selling goods within the German market from outside of Germany must adhere.

Data protection is fundamentally regulated in the provisions of the EU General Data Protection Regulation (EU) 2016/679 (**GDPR**) and the German Federal Data Protection Act. In addition, the Telecommunication and Telemedia Data Protection Act (TTDSG) does apply and deal with the data protection for the Online Business. According to the so-called market place principle in Article 3 (2) of the GDPR, the GDPR also applies to foreign companies for the processing of personal data of persons located in the EU, insofar as the processing is related to the offer of goods and services or the observation of the data subjects. The relevant connecting factor is the targeting of certain sales and advertising measures to persons located in the EU. The GDPR generally addresses the controller of the data processing regarding the obligations and duties in relation to the processed data, as the data controller is the main legally responsible entity in the context of the GDPR. In the case of an e-commerce platform where a platform operator offers on his platform to sellers and providers of goods and services the possibility to sell, platform operator and sellers usually are either independent controllers (each responsible for their own processing of data) or so-called joint controllers (together responsible for the data processing). Either way – joint or independent controller – the controller must in particular adhere to the GDPR principles for data processing and must ensure the existence of adequate legal bases for data processing as well as the availability of transparent information on the data processing from the customer's/user's point of view. Additional obligations and

data protection relationships may exist depending on the individual case, for example data processing agreements may exist with payment service providers involved on behalf and according to the data processing directions by any one controller.

With regard to the applicable e-commerce law, several regulations are relevant in Germany. In particular, the German Telemedia Act (**TMG**), the Telecommunication Act (**TKG**), the Unfair Competition Act (**UWG**) and the provisions of the German Civil Code (**BGB**) which concern digital or electronic means of contracting are of importance.

Among other things, the TMG contains regulations on the obligation to provide an imprint containing mandatory business information, such as address and further information obligations. The obligation to maintain an imprint also applies to foreign companies, insofar as the obligations can be fulfilled under foreign law.

The UWG contains certain rules, which particularly apply to electronic means of communication and doing business. Section 7 of the UWG, for example, contains provisions on e-mail advertising and newsletters through a website.

The TTDSG foresees regulation for the use of cookies and similar technologies. Such may only be placed on the end device of a user, if the user has issued its prior consent.

The UWG as well as TMG apply to foreign companies under the requirements of the so-called "success location rule," meaning they apply if the action by a non-German entity which constitutes an unfair competition practice under UWG or a violation of the TMG takes effect in Germany, then the non-German entity and its action is judged according to the aforementioned German rules.

For individual legal transactions with consumers initiated in a digital context, the BGB sets forth several consumer respectively user protection measures such as clear information on the seller, the order content (including for example shipping costs) and the order process (such as clear description of the button initiating the binding order. Furthermore, the seller must provide the consumer with a copy of the contract document giving the identity of the contracting parties or a confirmation of the contract reflecting the content of the contract. If the consumer agrees, another durable medium may be used for the copy or the contract confirmation. For details of the information obligations, cf. § 312d, § 312e, § 312f, § 312i, § 312j, § 312l BGB in conjunction with Art. 246a, b, c, d Introductory Code to the BGB ("*Einführungsgesetzt zum Bürgerlichen Gesetzbuch*"). The consumer must also be informed of its right of withdrawal and the cost of returning the goods. The extensive information obligations for online shop operators have also been further strengthened. Now, operators of online marketplaces must disclose the criteria for product rankings, for example in search results. If the price of products is determined by an algorithm on a customer-specific basis ("*personalised pricing*"), this must also be disclosed. Finally, the legislator has also taken care of the cancellation policy ("*Widerrufsbelehrung*") for distance contracts. In the future, it will be obligatory to provide a telephone number as well as an e-mail address for distance contracts, a fax number no longer has to be provided. However, the cancellation policy must also mention

communication channels that the company otherwise provides, such as WhatsApp support. In addition, the Price Indication Ordinance ("*Preisangabenverordnung*") has been reformed. Besides to a fundamental restructuring, material changes are intended to increase the transparency of price quotations for customers. In future, the basic price must be indicated in the unit of quantity and must appear in an unambiguous, clearly recognisable and legible manner. In order to facilitate the classification of price reductions, the "previous price" must be indicated in future whenever a price reduction is announced. The previous price is the lowest price applied by the trader within the last 30 days before the price reduction.

The sections of the BGB apply to foreign companies for contracts with consumers who have their habitual residence in Germany, if the offer of the platform or web shop is directed at customers in Germany. The platform operator can limit this by clearly identifying to which customers in which countries he addresses his platform respectively the web shops therein.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN FRANCE

There are no direct sales operated in France, through the website so that such website should not be concerned by the following developments. Nevertheless, sales, operated through third-party platforms (mostly Wish and Amazon, and through eBay) on the French market, need to comply with French laws and regulations even if through an intermediary.

Consumer protection laws

The French applicable legal provisions largely result from European laws, imposing notably to inform the consumers, and ensuring a high level of protection of the consumers against unfair practices.

Information that must be communicated to consumers

The consumer must be provided with the mandatory pre-contractual information on the good before conclusion of the contract (Article L.111-1 of the French Consumer Code), including notably the **essential characteristics of the good** (its substantial qualities, composition, origin, quantity, method and date of manufacture, the conditions of use, its fitness for purpose, its properties, etc.), the **price of the good** (cf. further developments below), its **delivery date**, and the information pertaining to the **identification of the vendor** (its name or corporate name, geographical address of its place of business and, if different, that of its registered office, telephone and electronic contact details). This communication of information is mandatory, and non-compliance with these rules may lead to an administrative fine up to €15,000 (Article L. 131-1 of the French Consumer Code).

The consumer must also be informed of its right of withdrawal and the cost of returning the goods. Failing to provide the consumer with this information is punished by an administrative fine of €75,000 (Article L.242-10 of the French Consumer Code).

Consumers must also be informed on the applicable legal guarantees (cf. further developments below).

As a reminder, the burden of proof of the communication of all the information mentioned is borne by the seller.

Price discount announcement

The regulation applicable concerning price discount announcement is the result of the transposition in French national law of the EU Directive 2019/2161 of November 27, 2019 as regards the better enforcement and modernization of Union consumer protection rules.

As of May 28, 2022, any announcement of a price discount shall indicate the previous price charged by the seller before the price reduction is applied.

It is specified that this previous price corresponds to the lowest price charged by the seller to all consumers during the last thirty days preceding the application of the price reduction (article L. 112-1-1 of the French Consumer Code).

In the event of successive price discounts during a given period, the previous price shall be that applied prior to the application of the first price discount.

Any failure to comply with these obligations is subject to two years imprisonment and a €300,000 fine, this amount may be increased, in proportion to the benefits derived from the offence, to 10% of the average annual turnover or 50% of the expenses incurred in carrying out the advertising or practice constituting this offence (article L. 132-2 of the French Consumer Code).

Unfair commercial practices

French consumer law is the result of the transposition into French national law of the European Directive 2005/29/EC of May 11, 2005 concerning unfair business-to-consumer commercial practices. French law prohibits, as in other EU Member State, any **unfair commercial practice**, which materially distorts or is likely to materially distort the economic behaviour of the consumer with regard to the product. In particular, misleading practices are considered as being unfair if they contain false information or in any way, including overall presentation, deceives or is likely to deceive the average consumer, on the nature of the product, its main characteristics, its composition, method and date of manufacture, geographical or commercial origin, etc.

As of May 28, 2022, failure to provide consumers with the following information may constitute a misleading trading practice when it substantially alters or is likely to alter the economic behavior of the consumer:

- information on the professional or non-professional status of the seller who offers products on an online marketplace, as declared to the operator of this marketplace (article L. 121-3, 6°, subparagraph 1 of the French Consumer Code),

- where applicable, information on whether and how the seller ensures that the comments published on products come from consumers who have actually used or purchased the said products (article L. 121-3, last subparagraph of the French Consumer Code).

As of May 28, 2022, the following practices constitute misleading trading practices in all circumstances:

- claiming that comments on products are posted by consumers who have actually used or purchased the said products without having taken the necessary steps to verify it (article L. 121-4, 27° of the French Consumer Code),

- posting or causing another person or entity to post false consumer comments or recommendations or altering consumer comments or recommendations to promote products (article L. 121-4, 28° of the French Consumer Code).

Any failure to comply with these obligations is subject to 2-years imprisonment and a €300,000 fine, this amount may be increased, in proportion to the benefits derived from the offence, to 10% of the average annual turnover, calculated on the basis of the last three annual turnovers known on the date of the offence, or to 50% of the expenses incurred in carrying out the advertising or practice constituting this offence (article L. 132-2 of the French Consumer Code). The company failing to comply with these obligations may also be ordered to make a publication of all or part of the decision, to issue a statement, or to publish corrective announcements at its expenses (article L. 132-4 of the French Consumer Code).

It is therefore necessary to ensure that no confusion with another good or service, trademark or trade name may be possible, and to be careful to truly inform consumers on the essential characteristics of the products and to ensure that the online comments on products are posted by real consumers who have actually used or purchased the said products.

Guarantees due to the consumers

There are different types of guarantees that sellers owe to consumers, who are strongly protected.

The consumer benefits from two minimum mandatory guarantees from the professional seller, which cannot be excluded or limited: the legal guarantee of conformity of the goods with the contract and in any case the legal guarantee of hidden defects.

Concerning the legal guarantee of conformity, it is owed by the professional seller who must, in particular, provide goods that conform to the use usually expected of similar goods or that the goods correspond to the seller's description and possess the qualities presented in samples or models, or that the goods have the qualities that a consumer may legitimately expect following the public statements of the seller, producer or representative (advertising, labelling, etc.). If this is not the case, the consumer has two years to make a complaint to the seller. (Articles L.217- 7 to L.217-14 of the French Consumer Code).

In case of lack of conformity, the seller must offer the consumer a replacement or repair. The consumer may have the contract rescinded or the price of the goods reduced if the defect is significant and the time taken to replace or repair the goods exceeds one month from the date of the request; or if no other means of remedying the defect is possible. The consumer does not have to bear the costs of replacement, repair, rescission or reduction of the contract.

In addition, the legal guarantee against hidden defects, which is not specific to consumers, benefits to any buyer (Articles 1641 to 1649 of the French Civil Code). The seller is bound by the guarantee for hidden defects in the item sold when these defects make it unfit for the intended use or make it almost impossible to use, and the buyer would not have bought it or would have bought it at a lower price if he had known about these defects. The legal guarantee covers all costs incurred by hidden defects. The buyer has 2 years from the discovery of the defect to act and must then choose between returning the item and having the price returned; or keeping the item and having part of the price returned (Article 1648 of the French Civil Code).

Product compliance and product liability

Product compliance

As a general rule, according to product-related EU and French law, every product must be designed, manufactured and usable in a way that it does not pose unacceptable risks to its user.

In addition, electrical and electronic products and equipment sold in the EU and in France must comply with definite technical specifications, specific environmental standards, waste management requirements, eco-design and energy labelling requirements for energy-using products and compatibility requirements in order to avoid inadequate interference with other products (e.g. in terms of electromagnetic compatibility and radio waves). In particular, the following product-related regulations may be relevant to our products: Directive 2014/35/EU (Low Voltage Directive), Directive 2014/30/EU (EMC-Directive), Directive 2014/53/EU (Radio Equipment Directive), Directive 2011/65/EU (RoHS Directive), Directive 2012/19/EU (WEEE-Directive), regulations for batteries and accumulators (e.g. Directive 2006/66/EC),

Directive 2009/125/EC (Ecodesign Directive), Regulation (EU) 2017/1369 (Energy Labelling Regulation), Directive 2001/95/EC (General Product Safety Directive), Directive 2009/48/EC (Toy Safety Directive), Directive 94/62/EC (Packaging and Packaging Waste), Regulation (EU) No 1007/2011 (Textiles products, Fibre names and related labelling and marking), each as amended, and their French law equivalents including the relevant sections of the Consumer Code and Environmental Code, and other national supplementary regulations or legal provisions, in particular those transposing, implementing and shaping the legal requirements of the European Union. In addition, since 2021, Regulation (EU) 2019/1020 (Market Surveillance Regulation) introduced new provisions that supplement, further develop and strengthen the existing market surveillance concept and the official tasks and competences of market surveillance authorities.

In addition to the above regulations, the general EU legislation of chemical substances (Regulation (EC) No. 1907/2006, REACH) provides for the general obligation to register chemical substances imported or manufactured in the EU on their own, in preparations or in articles. It also provides restrictions or prior authorisations for the presence above certain concentration levels, or the use, of certain substances of very high concern in articles. On June 10, 2022, the European Chemicals Agency updated the list of candidate substances of very high concern for authorisation on its website, which now includes 224 entries. The REACH Regulation which is applicable without the need for transposition into the domestic laws of the EU Member States, will be subject to a revision proposal by the EU Commission by the end of 2022.

The REACH Regulation works in combination with Regulation (EC) No 1272/2008 on classification, labelling and packaging of substances and mixtures.

Furthermore, Regulation (EC) No. 528/2012 on biocidal products and its French law implementation measures restrict the use of certain biocidal products in articles imported in the EU such as antibacterial, anti-mould and anti-odour products.

Lastly, to the extent they may be qualified as such, products placed on the French market must comply with Regulation (EC) No 1223/2009 (Cosmetic Products) and/or Regulation (EC) No 648/2004 (Detergents), Regulation (EU) 2017/745 (Medical Devices), Regulation (EC) No 1935/2004 (Food-contact materials) and their implementing regulations.

Briefly summarized those aforementioned regulations, amongst others, provide for requirements regarding (i) product properties (e.g. bans or restrictions on substances used to treat, contained in, or released by articles, requirements regarding product construction and design, conformity with technical standards, radio or electromagnetic frequencies or other material product qualities), (ii) product labelling (e.g. regarding product and manufacturer/importer identification domiciled in the European Economic Area, applicable markings, e.g. CE-marking and energy efficiency labelling), (iii) registration and notification obligations (e.g. the obligation to register electronic equipment or batteries/accumulators in public registers and participate in a recycling system), (iv) selective collection and take-back obligations at end of product's life (e.g. taking back electronic equipment or

batteries/accumulators), (v) procedural obligations, such as drawing up specific documentation (e.g. technical obligation comprising testing reports, expert opinions and design drawings, declaration of conformity), and (vi) proper instruction and information to users (e.g. user manual, warnings affixed to the product).

Generally, product-related EU and domestic laws are applicable when a product is placed, made available on or imported into the French or European market. In principle, the legally responsible person is the manufacturer, importer, distributor or – as expressly provided for in the Market Surveillance Regulation applicable since 2021 – "fulfilment service provider," i.e. any natural or legal person offering, in the course of commercial activity, at least two of the services including warehousing, packaging, addressing and dispatching. A product is placed or made available when it is supplied on the French or European market for distribution, consumption or use without the need for a transfer of ownership or possession, or payment, as it is sufficient for the product to be made available or offered (including online distribution) in a way that merely requires acceptance by another person.

Products that do not comply with the aforementioned product compliance requirements cannot be marketed lawfully in France. The enforcement authorities, including customs, are entitled to take appropriate preventive measures when they have reason to suspect that a product does not fulfil these requirements. Such measures include, but are not limited to: (i) prohibiting the exhibition of such product; (ii) ordering that such products be withdrawn or recalled; (iii) seizing such products, destroying or having them destroyed or otherwise rendered unusable and (iv) signalling and informing the network of enforcement authorities of all EU Member States while publicising this information. Furthermore, non-compliance with product safety regulations is subject to fines (of up to EUR 100,000 per violation). Under certain conditions, non-compliance may also constitute a criminal offense and lead to imprisonment for up to one year. Particularly in the case of damage to life and limb, considerably higher penalties may be imposed.

Product liability

In case of defective product (i.e. not offering the safety that can legitimately be expected), the producer/importer is liable even if he has not committed any fault in marketing the product. The person who affixes his trademark is assimilated to the producer (Article 1245-3 of the French Civil Code). The victim has 3 years from the date of knowledge of the defect up to a maximum of 10 years from the date the product was put into circulation to bring an action (Article 1245-15 and 1245-16 of the French Civil Code). The victim may claim damages as compensation for the damage caused by the defect (Article 1245 of the French Civil Code) regardless of the existence of a contract between the producer and the victim.

"Unique ID (UID) registration" ("Identifiant Unique")

As of January 1, 2022, producers subject to the principle of extended producer responsibility (including apparel and footwear products, packaging and graphic paper) register with the administrative authority (ADEME), which issues them a "unique ID" (article L. 541-10-13 of the French Environment Code).

In French regulations, it results that any producer of waste-generating products or of the elements and materials used in their manufacture may thus be required "*to provide or contribute to the prevention and management of the waste that comes from them, as well as to adopt an eco-design approach to products, to promote the extension of the life of the said products by ensuring that all the professional and private repairers concerned have the means necessary for efficient maintenance, to support reuse and repair networks such as those managed by social economy structures or those promoting integration through employment, to contribute to development aid projects for the collection and treatment of their waste and to develop the recycling of waste from products*" (Article L. 541-10 of the French Environment Code).

Therefore, the Unique ID constitutes a proof that a producer fulfills its obligations under the extended producer responsibility.

A producer whether established in France, in another European Union Member State or in another country, may appoint a natural or legal person established in France as an agent to ensure compliance with its obligations relating to the extended producer responsibility scheme. This person is subrogated in all the extended responsibility obligations of the producer whose mandate he accepts (article R. 541-174 of the French Environment Code).

For each sector concerned, the producer shall indicate the unique ID in the document relating to the general terms and conditions of sale or, when it does not have one, in any other contractual document communicated to the buyer.

Any failure to comply with this obligation is subject to an administrative fine of up to €30,000 euros (article L. 541-9-5 of the French Environment Code).

Intellectual Property

In France, the Intellectual Property Code (*Code de la Propriété Intellectuelle – CPI*) grants protection for different types of intellectual property rights such as trademarks, patents and utility certificates, and designs.

Under CPI a patent grants its owner the right to hinder a third party from making, using, selling, offering for sale, or possessing products or processes using the patented technical invention throughout France or importing the invention into France. France has a "first to file" system which means that the right to a patent for a given technical invention lies with the person who first filed the patent application (regardless of the date the actual invention was

made). Another category of intellectual property rights similar to patents are utility certificates, this IP right has a shorter protection than the patent (10 years instead of 20) and does not require prior art searches during the application proceedings.

CPI and, on an EU level Regulation (EU) 2017/1001 (EU Trademark Regulation), protects trademarks, which may, inter alia, be or consist of words, a logo, sounds, a shape of goods or of their packaging as well as other wrapping, and/or colours and colour combinations. The main purpose of a trademark is to identify products and services and to distinguish them from products and services of other companies and/or competitors.

CPI protects by means of a design the appearance of a whole or a part of a product resulting from the features of, inter alia, the lines, contours, colours or shape of the product or its ornamentation. On an EU level, Regulation (EC) No 6/2002 (Community Designs Regulation) confers a similar protection in the whole EU territory.

Trademark and design rights grant its holder certain exclusive rights with regard to their use on the French and EU market.

Domain names can be booked in France (.fr) on a "first come first served" basis, under the condition that the applicant proves legitimate interest. In order to constitute prior right the domain name has to be in used for a similar activity.

If intellectual property rights are infringed by third parties, the owner can claim, in particular, injunctive relief, disclosure and compensation for damages. Claims can be brought on the basis of counterfeiting and also unfair competition.

When importing goods and rendering services in France, it is highly recommendable to check that goods do not infringe prior IP rights of third parties.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN HONG KONG

As at the Latest Practicable Date, the Company has three subsidiaries (being Zibuyu HK, Xingzezhi HK and Zijin HK) which are incorporated in Hong Kong and are subject to general regulatory requirements in Hong Kong.

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

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

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

IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. IRO provides that corporations carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is at 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000. IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN JAPAN

Consumer Protection Regulations

The Company's sales operations in Japan are subject to various Japanese consumer protection regulations. This includes the Act against Unjustifiable Premiums and Misleading Representations (Act No. 134 of 1962, as amended) and the Act on Specified Commercial Transactions (Act No.57 of 1976, as amended).

Pursuant to the Act against Unjustifiable Premiums and Misleading Representations, when a seller advertises its products for sale, it is prohibited from making representations regarding the quality, standard or any other feature of such products, or price or any other trade terms, as being much better than that of the actual products or trade terms, or making representations without reasonable grounds.

In addition, pursuant to the Act on Specified Commercial Transactions, a seller must include certain details of a product in its advertisement and application form, when such advertising and application for purchase are done via websites or other media, and where the transaction of the product is conducted via communication devices (postal mail or other information processing devices). These details include selling prices, timing and means of paying, time of delivery, the applicable policy on withdrawal/cancellation of the transaction. A seller is also prohibited from making misleading advertisements, as well as sending advertisements via email without the consent of the recipient.

Act on the Protection of Personal Information

The Act on the Protection of Personal Information (Act No. 57 of 2003, as amended) imposes various requirements on businesses that use databases containing personal information. Under this Act, any holder of personal information must lawfully use such personal information for the purposes specified when the information was obtained. Entities holding personal information are also restricted from providing personal information to third parties, subject to certain narrow exceptions. This Act is also applicable to the operators outside Japan which obtain personal information in relation to the provision of goods or services to persons in Japan.

Trademark Act

The Trademark Act (Act No. 127 of 1959, as amended) aims to protect registered trademarks. A holder of registered trademark right or an exclusive license thereof may demand a person who infringes or is likely to infringe the trademark right or the exclusive license to stop or prevent such infringement.

SANCTIONS LAWS AND REGULATIONS

Hogan Lovells, our International Sanctions Legal Advisors, have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. This summary does not intend to set out the laws and regulations relating to the U.S., the European Union, the United Nations and Australian sanctions in their entirety.

U.S.

Treasury Regulations

OFAC is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens ("green card" holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest – no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) – except pursuant to an authorization or license from OFAC.

OFAC's comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, the Crimea region of Russia/Ukraine and the self-proclaimed Luhansk People's Republic and the self-proclaimed Donetsk People's Republic regions (the comprehensive OFAC sanctions programme against Sudan was terminated on October 12, 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List.

Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

United Nations

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

European Union

Under European Union sanction measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

United Kingdom and United Kingdom overseas territories

As of January 1, 2021, the United Kingdom is no longer an EU member state. EU law including EU sanctions measures continued to apply to and in the United Kingdom until December 31, 2020. EU sanctions measures had also been extended by the United Kingdom on a regime by regime basis to apply in the United Kingdom overseas territories, including the Cayman Islands. Starting from January 1, 2021, the United Kingdom applies its own sanctions programs and has extended its autonomous sanctions regimes to apply to and in the United Kingdom oversea territories.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.