We are subject to a variety of laws, and regulations across a number of aspects of our business. This section sets forth a summary of the most significant laws and regulations that are applicable to our current business activities around the world.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE PRC

Regulations on Corporation

On December 29, 1993, the Standing Committee of the National People's Congress of the PRC (the "SCNPC") issued the PRC Company Law (《中華人民共和國公司法》) (the "Company Law"), which was lasted amended on December 29, 2023 and implemented on July 1, 2024. All companies established in the PRC are subject to the Company Law. The Company Law regulates the establishment, operation, corporate structure, and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares.

The main amendments of the PRC Company Law (2023 Revision) involve improving the company's establishment and exit system, optimizing the company's organizational structure, perfecting the company's capital system and strengthening the responsibilities of controlling shareholders and management personnel.

Policies on Cross-Border E-Commerce

Since 2013, the PRC government has promulgated multiple regulations or policies to encourage and support the development of cross-border e-commerce in China. These include the Notice of the General Office of the State Council on Forwarding the Opinions of the Ministry of Commerce and Other Departments on Implementing Relevant Policies to Support the Cross-Border E-Commerce Retail Export issued by the General Office of the State Council on August 21, 2013, the Guiding Opinions of the General Office of the State Council on Promoting the Sound and Rapid Development of Cross-Border E-Commerce issued by the General Office of the State Council on June 16, 2015, the Several Opinions of the State Council on Promoting the Stabilization and Upswing of Foreign Trade issued by the State Council on May 5, 2016, and the Letter of 14 Departments including the Ministry of Commerce on Replicating and Popularizing Mature Experience and Practices from Cross-Border E-Commerce Comprehensive Pilot Zones jointly issued by the Ministry of Commerce, the NDRC and another twelve departments on October 26, 2017. These regulations and policies support implementation of preferential tax policies for e-commerce export, establishment of the e-commerce export credit system, establishment of warehouses for export products and overseas operation centers, creation of independent brands and improvement of export product quality, optimization of cross-border e-commerce management model and customs clearance formalities, and provisions of payment services and foreign exchange settlement services to cross-border e-commerce enterprises.

Regulations on Exportation of Goods

Pursuant to the *Foreign Trade Law of the PRC* (《中華人民共和國對外貿易法》) which was promulgated by the SCNPC on May 12, 1994 and implemented on July 1, 1994, and subsequently revised on April 6, 2004, November 7, 2016, and December 30, 2022, foreign traders engaging in import and export of goods or technology shall submit documents and material related to its foreign trade activities to the relevant departments in accordance with the provisions of the foreign trade department of the State Council or other relevant State Council departments in accordance with the law.

Pursuant to the *Customs Law of the PRC* (《中華人民共和國海關法》) 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 file for record with the Customs in accordance with the laws.

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

Regulations on Road Transportation

Pursuant to the Regulations on Road Transportation of the PRC (《中華人民共和國道路運輸條例》) promulgated by the State Council in April 2004 and most recently amended in July 2023, and the Provisions on Administration of Road Freight Transportation and Stations (Sites) (《道路貨物運輸及站場管理規定》) (the "Road Freight Provisions") issued by the Ministry of Transport in June 2005 and most recently amended in November 2023, the business operations of road freight transportation refer to commercial road freight transportation activities that provide public services. The road freight transportation includes general road freight transportation, special road freight transportation, road transportation of large articles, and road transportation of hazardous cargos. Special road freight transportation refers to freight transportation using special vehicles with containers, refrigeration equipment, or tank containers. The Road Freight Provisions set forth detailed requirements with respect to vehicles and drivers.

Under the Road Freight Provisions, anyone engaged in the business of operating road freight transportation must obtain a Road Transportation Operation Permit from the local county-level road transportation administrative bureau, and each vehicle used for road freight transportation must have a Road Transportation Certificate from the same authority. The incorporation of a subsidiary of road freight transportation operator that intends to engage in road transportation business is subject to the same approval procedure. If it intends to establish a branch, it should file with the local road transportation administrative bureau where the branch is to be established. Pursuant to the Notice on the Cancelation of the Road Transportation Operation Permit and the Driver Qualification Certificate for Ordinary Freight Vehicles with a Total Mass of 4.5 Tons or Less (《交通運輸部辦公廳關於取消總質量4.5噸及以下普通貨運車輛道路運輸證和駕駛員從業資格證的通知》) promulgated by the Ministry of Transport, which took effect in January 2019, local transportation management departments will no longer issue Road Transportation Operation Permit for ordinary freight vehicles with a total mass of 4.5 tons or less, and shall not impose administrative penalties on such vehicles and drivers for the reasons of operating without permits and driving freight transportation vehicles without corresponding qualification certificates.

Although the Road Transportation Operation Permits have no limitation with respect to geographical scope, several provincial governments in China, including Shanghai and Beijing, promulgated local rules on administration of road transportation, stipulating that permitted operators of road freight transportation registered in other provinces should also make record-filing with the local road transportation administrative bureau where they carry out business.

Regulations on Foreign Investment

In March 2019, the National People's Congress promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the "2019 PRC Foreign Investment Law"). Upon taking effect on January 1, 2020, the 2019 PRC 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.

Pursuant to the 2019 PRC Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

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》).

The NDRC and the MOFCOM jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "2021 Negative List") on December 27, 2021, to replace the previous encouraging catalog and negative list thereunder. The Special Administrative Measures (Negative List) for Foreign Investment Access (2024 version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "2024 Negative List") has been officially adopted on September 6, 2024, and will implement on November 1, 2024, after which the 2024 Negative List will replace the 2021 Negative List. Pursuant to the Foreign Investment Law, the Implementation Regulations and the 2021 Negative List, foreign investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are generally deemed "permitted" for foreign investments. The 2021 Negative List sets out 31 industries which foreign investments are prohibited or restricted, including domestic express delivery services of letter. The 2024 Negative List sets out 29 industries which foreign investments are prohibited or restricted, removing the restrictions on foreign investment access in the manufacturing industry. Moreover, according to the 2021 Negative List, to issue shares abroad

and list and trade shares overseas, any domestic enterprise engaging in the fields prohibited by the 2021 Negative List, shall obtain the consent of the relevant competent authorities of the State, and the overseas investors shall not participate in the operation and management of the enterprise, and overseas investors' shareholding percentage shall be subject to the relevant provisions on administration of domestic securities investment by overseas investors. The NDRC further clarified the meaning of "shall obtain the consent of the relevant competent authorities of the State" through the Answers to Reporters' Questions on the 2021 Negative List by relevant officials of the NDRC disclosed on its official website, that is the review and approval obtained by such domestic enterprise that the prohibition requirement under the 2021 Negative List does not apply to the overseas listing by such domestic enterprise.

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

Regulations on Foreign Currency Exchange

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 direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

In June 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》) ("**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 is not restricted from being used to extend loans to related parties or repay the inter-company loans (including advances by third parties).

In January 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》) ("**Circular 3**"), which took effect on the same day. Circular 3 sets out various capital control measures with respect to outbound remittance of funds from PRC entities to offshore entities. Circular 3 requires banks to verify board resolutions, tax filing forms, and audited financial statements before wiring foreign invested enterprises' foreign exchange distribution above US$50,000. Moreover, pursuant to Circular 3, PRC entities must explain in detail the sources of capital and how the capital will be used, and provide board resolutions, contracts and other proof as a part of the registration procedure for outbound investment.

In October 2019, SAFE issued the Notice of 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》) ("**Circular 28**"), which took effect on the same day. Circular 28 cancels the restrictions on domestic equity investments by capital fund of non-investment foreign invested enterprises and allows non-investment foreign invested enterprises to use their capital funds to lawfully make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》), ("**Circular 8**"), issued by SAFE in April 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction. The handling banks shall conduct spot checks afterwards in accordance with the relevant requirements. The interpretation and implementation in practice of Circular 28 and Circular 8 are still subject to substantial uncertainties given they are newly issued regulations.

Regulations on Cyber Security, Data Security and Personal Information Protection

In recent years, PRC government authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. The Decisions on Protection of Internet Security enacted by the SCNPC (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) in 2000, as amended on August 27, 2009, provides that, among other things, the following activities conducted through the internet, if constituted a crime according to PRC laws, are subject to criminal punishment: (i) intrusion into a strategically significant computer or system; (ii) intentionally inventing and disseminating destructive programs, such as computer viruses, to attack the computer system and the communications network, thereby damaging the computer system and the communications networks; (iii) violating national regulations, suspending the computer networks or the communication services without authorization, causing the computer network or communication system to fail to operate normally; (iv) leaking state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights through internet.

The Administrative Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), issued by the Ministry of Public Security on December, 1997 and amended in January 2011, prohibit the use of the Internet in a manner that would result in the leakage of state secrets or the spread of socially destabilizing content. The Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), promulgated in December 2005 by the Ministry of Public Security require all Internet service providers to keep records of certain information about their users (including user registration information, log in and log out time, IP address, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations. Under these measures, value-added telecommunications services license holders must regularly update information security and content control systems for their websites and must also report any public dissemination of prohibited content to local public security authorities. If a value-added telecommunications services license holder violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

The Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》) promulgated by the Ministry of Public Security, the State Secrecy Bureau, the State Cipher Code Administration and the Information Office of the State Council on June 22, 2007, divide the security protection of information systems into five grades based on the degree of harm caused by the destruction of the information system to the legitimate rights and interests of citizens, legal persons and other organizations, social public order and public interests and the national security and require the operators of information systems ranking Grade II or above to file an application with the local competent public security authorities within 30 days since the date when its security protection grade is determined or its information system is put into operation.

On July 1, 2015, the SCNPC issued the National Security Law of the PRC (《中華人民共和國國家安全法》), which came into effect on the same day, pursuant to which the state shall safeguard the sovereignty, security and cybersecurity development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On May 28, 2020, the National People's Congress adopted the PRC Civil Code (《中華人民共和國民法典》) (the "Civil Code"), which came into effect on January 1, 2021. Pursuant to the Civil Code, 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, store, use, process or transmit personal information of others, or illegally provide or disclose personal information of others. Personal information of natural persons 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 the natural persons' names, date of birth, ID numbers, biometric information, addresses, telephone numbers, e-mail addresses, health information and whereabouts. The Civil Code revised the internet tort liability and further elaborated on "safe harbour" rule with respect to an internet service provider from both the aspects of notice and counter notice, including (i) upon receiving notice from the right holder that any network users infringe on his/her civil rights, promptly adopting necessary protective measures such as deletion, screening or disconnection of hyperlinks and referring right holders' notice to disputed internet user; and (ii) upon receiving counter-notice from the disputed internet user, referring such counter-notice to the claiming right holder and informing him/her to take other corresponding measures such as filing complaint with competent authorities or suit with courts. The Civil Code also provides that where the internet service provider knew or should have known the infringing acts of the network user but take no necessary measures, it shall be jointly and severally liable with such internet user.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "Cybersecurity Law") and become effective as of June 1, 2017, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. According to the Cybersecurity Law, network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to the mandatory requirements of laws, regulations and national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties.

On June 10, 2021, the SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》) (the "Data Security Law") which became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system.

In August 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law (《個人信息保護法》) which took effect in November 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, using a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information.

Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information shall bear responsibility for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, personal information processors could be subject to liability for their processing activities, including rectification, or suspension or termination of their provision of their services as well as confiscation of illegal income, fines or other penalties. As the Data Security Law, the Personal Information Protection Law and relevant rules and regulations are constantly evolving and may be amended from time to time, we may be required to make further adjustments to our business practices to comply with these laws, rules and regulations.

In the meantime, the PRC regulatory authorities have also enhanced the supervision and regulation on cross-border data transfer. In July 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transmission (《數據出境安全評估辦法》), which came into effect in September 2022 and regulate the security assessment on the cross-border data transfer by data processor of important data and personal information collected and generated during operations within the PRC. According to these measures, data processors will be subject to security assessment conducted by the CAC prior to any cross-border transfer of data if the transfer involves (i) important data; (ii) personal information transferred overseas by operators of critical information infrastructure or a data processor that has processed personal data of more than one million persons; (iii) personal information transferred overseas by a data processor who has already provided personal data of 100,000 persons or sensitive personal data of 10,000 persons overseas since January 1 of last year; or (iv) other circumstances as requested by the CAC. According to the official interpretation by the official of the CAC, cross-border data transfer activities subject to these measures include (1) the transmission and storage overseas by data processors of the data generated during PRC domestic operations, and (2) the access to or use of the data collected and generated by data processors and stored in the PRC by overseas institutions, organizations or individuals. Furthermore, any cross-border data transfer activities conducted in violation of the Measures for the Security Assessment of Cross-border Data Transmission before the effectiveness of these measures are required to be rectified by end of February 2023.

Another example is that, on February 24, 2023, the Provisions on the Prescribed Agreement on Cross-border Data Transfer (《個人信息出境標準合同辦法》) (the "Provisions on Prescribed Agreement") were promulgated by the CAC, which took effect on June 1, 2023. The Provisions on Prescribed Agreement attach the prescribed template for cross-border data transfer agreement that could be used to satisfy one of the conditions for cross-border transfer of personal information under Article 38 of the Personal Information Protection Law.

In April 2020, the CAC, the NDRC, the MIIT, and several other governmental authorities jointly issued the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**"), which came into effect in June 2020. According to the Cybersecurity Review Measures, the purchase of cyber products and services mainly including core network equipment, high-performance computers and servers, mass storage devices, large databases and application software, network security equipment, cloud computing services, and other products and services that have an important impact on the security of critical information infrastructure which affects or may affect national security is subject to cybersecurity review by the Cybersecurity Review Office. In December 2021, the CAC, together with certain other PRC governmental authorities, promulgated the Revised Cybersecurity Review Measures which replaced the then-effective version and took effect in February 2022. According to the Revised Cybersecurity Review Measures, operators of critical information infrastructure who purchase network products and services and network platform operators who carry out data processing activities that affect or may affect national security shall be subject to cybersecurity review. In addition, network platform operators with personal information of over one million users must apply for a cybersecurity review before listing abroad. Relevant competent governmental authorities may also initiate cybersecurity review if they determine certain network products, services or data processing activities affect or may affect national security. Article 10 of the Revised Cybersecurity Review Measures also sets out certain general factors that are the focus in assessing the national security risk in a cybersecurity review, including (i) the risks of critical information infrastructure being illegally controlled by any individual or organization or subject to interference or destruction; (ii) the harm caused by the disruption of the supply of the product or service to the continuity of critical information infrastructure business; (iii) the security, openness, transparency and diversity of sources of the product or service, the reliability of supply channels, and risks of supply disruption due to political, diplomatic, trade and other factors; (iv) compliance with PRC laws, administrative regulations and department rules by the provider of the product or service; (v) the risk of core data, important data or a large amount of personal information being stolen, leaked, damaged, illegally used, or illegally transmitted overseas; (vi) the risk that critical information infrastructure, core data, important data or a large amount of personal information for a listing being affected, controlled, and maliciously used by foreign governments, as well as network information security risks; and (vii) other factors that may endanger the security of critical information infrastructure, cybersecurity and data security.

Furthermore, on September 30, 2024, the State Council released the Network Data Regulation (《網絡數據安全管理條例》), which shall come into force on January 1, 2025. The Network Data Regulation is not only the first at the administrative regulation level specifically for network data security, but it also serves as a comprehensive implementing regulation for the compliance requirements set out by the Cybersecurity Law, Data Security Law, and Personal Information Protection Law. The Network Data Regulation introduces several key obligations, including requiring network data handlers to specify the purpose and method of personal information processing, as well as the types of personal information involved, before any personal information is handled. It also clarifies definitions for important data, outlines the obligations of those handling important data, establishes broader contractual requirements for data sharing between data handlers, and introduces a new exemption for regulatory obligations regarding cross-border data transfers. As of the data of this document, the Network Data Regulation has not yet come into force. It remains to be seen how this regulation will be interpreted and implemented, and to what extent it will affect our operations.

According to the Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) jointly promulgated by the MIIT, the CAC and the Ministry of Public Security, which came into effect in September 2021, network product providers, network operators as well as organizations or individuals engaging in the network

product security vulnerability discovery, collection, release and other activities shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. Network product providers are required to report relevant security vulnerability of network products with the MIIT within two days of discovery and provide technical support to network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or becoming aware that their networks, information systems or equipment have security loopholes. According to these provisions, the network product providers and network operators who fail to perform the aforementioned obligations may be subject to administrative penalty in accordance with the Cybersecurity Law.

The CAC is responsible for organizing and implementing cybersecurity reviews, while the competent departments in key industries such as finance, telecommunications, energy and transport shall be responsible for organizing and implementing security review of cyber products and services in their respective industries or fields.

Regulations on Taxation

The PRC Enterprise Income Tax

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 Catalog 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.

Dividends Distribution

The principal laws, rules and regulations governing dividend distributions by foreign invested enterprises in the PRC are the Company Law, promulgated in 1993 and latest amended in 2018, and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

According to the Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》) which was promulgated by the National People's Congress on April 9, 1991 and most recently amended on September 1, 2023, the limitation period for an action to recover a debt (including the recovery of declared dividends) is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

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

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

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

Regulations on Labor, Social Insurance and Housing Accumulation Funds

Labor

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) and the PRC Labor Contract Law (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**"), employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Violations of the Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violations. In addition, the Labor Contract Law also imposes requirements on the use of employees of temp agencies, who are known in China as "dispatched workers". Dispatched workers are entitled to equal pay with full-time employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions. The Interim Provisions on Labor Dispatching (《勞務派遣暫行規定》), issued by the Ministry of Human Resources and Social Security of the PRC in January 2014 and came into effect in March 2014, requires the number of dispatched workers to not exceed 10% of the total number of workers, which refers to the sum of the number of employees with a labor contract with the employer and the number of dispatched workers the employer employed.

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 Program 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 Program 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.

Regulations on Leasing

According to the PRC Civil Code, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected. Moreover, pursuant to the PRC Civil Code, if the mortgaged property has been leased and transferred for occupation prior to the establishment of the mortgage right, the original tenancy shall not be affected by such mortgage right.

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

According to the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (2020 version) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋(2020修正)》), which took effect on January 1, 2021, if the ownership of the leased premises changes during lessee's possession in accordance with the terms of the lease contract, and the leasee requests the assignee to continue to perform the original lease contract, the PRC court shall support it, except that the mortgage right has been established before the lease of the leased premises and the ownership changes due to the mortgagee's realization of the mortgage right.

On July 14, 2023, the National Fire and Rescue Administration promulgated Administrative Measures for the Administration of Fire Safety in Leased Factory Buildings and Warehouses (for Trial Implementation) (《租賃廠房和倉庫消防安全管理辦法(試行)》), which clarifies the respective fire safety management responsibilities of the lessor and lessee of the leased plant warehouse, and allows the lessor and lessee to stipulate their respective fire safety management responsibilities through the contract. According to the Administrative Measures for the Administration of Fire Safety in Leased Factory Buildings and Warehouses (for Trial Implementation), the lessor and lessee of a leased factory building or warehouse shall clarify the fire safety responsibilities of all parties concerned in writing, and if they fail to clarify such responsibilities in writing, the lessor shall be responsible for unified management of the common evacuation passages, safety exits, building fire control facilities and fire control engine passages, and the lessee shall be responsible for fire safety of the leased factory building or warehouse.

Regulations on Environmental Protection

Environmental Protection Law

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), or the Environmental Protection Law, was promulgated and effective on December 26, 1989, and most recently revised on April 24, 2014. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the provisions of the Environmental Protection Law, in addition to other applicable laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to an environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorization from the competent government agencies.

Consequences of violations of the Environmental Protection Law include warnings, fines, rectification within a time limit, forced shutdown, or criminal punishment on Environment Impact Assessment

Laws on Environment Impact Assessment

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment (《中華人民共和國環境影響評價法》) issued on October 28, 2002 and most recently amended on December 29, 2018, the State Council implemented an environmental impact assessment, or EIA, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report, or an EIR, or an environmental impact statement, or an EIS, or fill out the EIR Form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIS is not required but an EIR form shall be completed.

On November 30, 2020, the Ministry of Ecology and Environment of the PRC promulgated the Classified Administration Catalog of Environmental Impact Assessments for Construction Projects (2021 version) (《建設項目環境影響評價分類管理名錄(2021年版)》), or Classified Administration Catalog (2021 version), which became effective on January 1, 2021. According to Classified Administration Catalog (2021 version), food and beverage services are not included in the management of EIA of construction projects.

Regulations on Intellectual Property

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

Copyright

Copyright in the PRC, including copyrighted computer software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**"), which was most recently amended in November 2020 and became effective in June 2021, and its implementation rules. According to the Copyright Law, the term of protection for copyrighted computer software shall be 50 years. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology and pay damages.

Patent

The Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the National People's Congress in March 1984, which was most recently amended in October 2020 and became effective in June 2021, provides for three types of patents, "invention", "utility" and "design". To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. The National Intellectual Property Administration is responsible for examining and approving patent applications.

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the Standing Committee of the National People's Congress in August 1982 with the latest amendment being effective in November 2019, and its implementation rules promulgated by the State Council in August 2002 with the latest amendment being effective in May 2014, protect registered trademarks. The Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. A registration application for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination may be rejected. Trademark registration is effective for a renewable ten-year period, unless otherwise revoked.

Domain Name

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT in August 2017 and became effective in November 2017. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the China Internet Network Information Center is responsible for the daily administration of .cn domain names and Chinese domain names. CNNIC adopts the "first to file" principle with respect to the registration of domain names. In November 2017, the MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based 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》), which became effective in January 2018. Pursuant to the notice, the domain name used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity's shareholders), or the entity's principal or senior manager.

Regulations on Securities and Overseas Listing

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

The PRC government has enhanced its regulatory oversight of Chinese companies listing overseas. The Opinions on Intensifying Crack Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》) issued in July 2021 called for (i) tightening oversight of data security, cross-border data flow and administration of classified information, as well as amendments to relevant regulations to specify responsibilities of overseas listed Chinese companies with respect to data security and information security; (ii) enhanced oversight of overseas listed companies as well as overseas equity fundraising and listing by Chinese companies; and (iii) extraterritorial application of PRC securities laws.

On February 17, 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures") together with 5 supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the "Overseas Listing Regulations"). Under Overseas Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

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

issuer by overseas securities regulators or relevant competent authorities, (iii) changes of listing status or transfers of listing segment, and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity and data security, and duly fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), or the Provision on Confidentiality. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

Regulations on Full Circulation of H shares

The Company shall comply with regulations on the H share "full circulation" to converse its domestic shares into H shares and circulate on the Hong Kong Stock Exchange. Pursuant to the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (2023 Amendment) (《H股公司境內未上市股份申請"全流通"業務指引(2023修正)》), or the Guidelines for the "Full Circulation", promulgated and implemented by the CSRC on November 14, 2019 and revised on August 10, 2023, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

According to the Notes on the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《關於<境內企業境外發行證券和上市管理試行辦法>的說明》), the New Regulations Filing aims to strengthening institutional inclusiveness and deepening opening-up, and lays out "full circulation" arrangements. For the overseas offering and listing by a domestic company, holders of its domestically-based domestic unlisted shares are allowed after filing to convert the shares into overseas listed shares to be circulated on overseas trading venues.

According to the Overseas Listing Trial Measures, "Full Circulation" represents the shareholders of domestic unlisted shares of domestic companies, which directly offer and list securities in overseas markets, converting its domestic unlisted shares into foreign listed shares circulating in overseas markets. The shareholders of domestic unlisted shares shall authorize the domestic company to file the "Full Circulation" application with CSRC by filing materials on key compliance issues, including whether the "Full Circulation" has fulfilled adequate internal decision-making procedures, necessary internal approvals and authorizations, and whether the "Full circulation" involves approval or filing procedures set out in the laws, regulations and policies for state-owned asset administration, industry supervision and foreign investment, and if so, whether such approval or filing procedures have been performed.

According to the Measures for Implementation of H-share "Full Circulation" Business (《H股"全流通"業務實施細則》), or the Measures for Implementation, promulgated by the China Securities Depository and Clearing Corporation Limited, or the CSDC, and Shenzhen Stock Exchange, or the SZSE, on December 31, 2019, the businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of participants and services of nominal holders in relation to the H-share "full circulation business", are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited, or the CSDC (Hong Kong), and SZSE.

In order to fully promote the reform of H-shares "Full Circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, the CSDC has promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (《關於發佈<H股"全流通"業務指南>的通知》) on February 7, 2020, which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE U.S.

Businesses operating in the U.S. are subject to a variety of federal, state and local laws and regulations ("**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 ("**CPSC**"), an administrative agency of the U.S. 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 ("**CPSIA**") in 2008. The implementation of CPSIA was a significant overhaul of consumer product safety laws in the U.S. and was designed to enhance federal and state efforts to improve the safety of all products imported into and distributed in the U.S.. Products imported into the U.S. which fail to comply with CPSIA's requirements are subject to confiscation and the importer and/or distributor in the U.S. 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 U.S. 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 ("**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 ("**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), 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 U.S. 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 U.S. 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 U.S. 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 U.S. 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

U.S. customs regulations ("**Customs Regulations**"), administered by CBP apply to any products entering the U.S.. Those regulations cover, among other areas, valuation of goods, classification, recordkeeping requirements, entry formalities, and laws related to duties and tariffs. The U.S. imposes tariffs on certain goods imported from various countries. Tariff rates are generally set forth in the Harmonized Tariff Schedule of the U.S. (HTS). Note that embargoes, antidumping duties, countervailing duties, and other specific matters administered by the U.S. 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 U.S. to grant temporary import relief by raising import duties or imposing non-tariff barriers (e.g., quotas) on goods entering the U.S. that injure or threaten to injure domestic industries producing similar goods. Section 301 of the Trade Act authorizes the President of the U.S. 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 U.S. from China, and *vice versa*, under Sections 201 and 301 of the Trade Act.

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.

The impacts resulting from additional tariffs relate to the particular products that will be imported. These have been examined for classification under the HTS and also for additional tariff purposes. The additional tariffs identified are sometimes referred to as "safeguard" tariffs and include tariffs imposed under Section 301 of the Trade Act, as well as antidumping and countervailing duties.

Trade Sanction — Section 301

Title III of the Trade Act of 1974 (Sections 301-310, 19 U.S.C. §§2411-2420), titled "Relief from Unfair Trade Practices," is often collectively referred to as "Section 301." Section 301 provides a statutory means by which the U.S. imposes trade sanctions on foreign countries that violate U.S. trade agreements or engage in acts that are "unjustifiable" or "unreasonable" and burden U.S. commerce. To remedy a foreign trade practice, Section 301 authorizes the United States Trade Representative (the "**USTR**") to impose duties or other import restrictions, as well as impose other remedies.

In August 2017, in response to China's technology transfer, intellectual property, and innovation policies/practices, the USTR made a finding that four Chinese intellectual property rights-related practices are unreasonable (or discriminatory) and burden (or restrict) U.S. commerce. The action taken includes the imposition of additional tariffs, ranging from 7.5% to 25.0%, on approximately $370 billion worth of U.S. imports from China.

These tariffs are applicable to nearly all the goods examined for HTS/tariff review with most goods subject to a 25% additional tariff, with a lesser number facing a 7.5% tariff or no tariff.

On May 14, 2024, the USTR announced the results of an ongoing Section 301 "necessity review." The key points announced were that there would be no Section 301 tariffs reduced or eliminated, and that there would be increased tariff rates for certain critical sectors that include but are not limited to steel and aluminum, semiconductors, EV's, lithium-ion EV batteries and certain mineral and medical products.

Transfer Pricing

The U.S. has an extensive system of laws and practices designed to preserve the U.S. tax base by preventing income from being shifted among related parties through the inappropriate pricing of related party transactions. The U.S. transfer pricing regime seeks to ensure that transactions involving the transfer of goods and services between related companies are made on an arm's length basis and are priced based on market conditions that permit profit to be reflected in the appropriate tax jurisdiction. Where the results of a transaction do not reflect an arm's length price, the U.S. tax authority can reallocate the income to reflect the appropriate price and in some cases, impose monetary penalties for substantial or deliberate inaccuracy.

The U.S. Congress has enacted legislation and the US Treasury Department has promulgated regulations to control transfer pricing, all of which are administered and enforced by the Internal Revenue Service ("**IRS**"). On 22 December 2017, the Tax Cuts and Jobs Act (Tax Act) became law. The Tax Act represents a comprehensive reform to the Internal Revenue Code ("**IRC**"). Among its many changes, the Tax Act lowered the federal corporate income tax rate to 21% and overhauled the international tax provisions of the IRC, which may cause many multi-national companies to reevaluate their transfer pricing arrangements. Additionally, the Tax Act amended the IRC's transfer pricing provisions, which will directly affect transfers of intangible property. Federal tax legislation is contained in the IRC. Specifically, Section 482 of the IRC governs transfer pricing and applies when two or more organizations, trades, or businesses (regardless of form and place of the organization) are owned or controlled, directly or indirectly, by the same interests. The general rule of Section 482 authorizes the IRS to reallocate income, deductions, credits or allowances among the members of a controlled group of entities to ensure clear reflection of income or to prevent tax avoidance.

Section 482 also provides an additional test for transfers of intangible property (IP). Income with respect to the transfer (or license) of IP must be "commensurate with the income" attributable to the IP. Under the commensurate-with-income standard, actual profit realized from the exploitation of an intangible must be considered in determining an arm's length price for the transfer of the intangible. The amount of the compensation should therefore reflect changes in the income attributable to that intangible over time.

In the U.S., individual states enact their own corporate income tax rules, which include the power and authority to regulate transfer pricing. The state rules focus on the shifting of income and deductions from a high-tax state to lower-tax states. Although the focus of most multinational businesses is on the relationship with the IRS, the state-by-state approach to transfer pricing methodologies must not be ignored. Each state is a sovereign taxing jurisdiction with the authority to disregard the conclusions reached by the IRS with respect to the appropriateness of a particular transfer pricing method.

Each of the 50 U.S. states has its own internal statutes, regulations, case law and other authority governing transfer pricing issues.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN GERMANY

Statutory Law

Below is an overview of the laws and regulations materially relevant to our business in Germany. It does not claim to provide a complete and comprehensive presentation of all relevant legal regulations.

Purchase Law

The sale of goods via the e-commerce platforms constitutes a sales contract (§ 433 et seq. of the German Civil Code — "*Bürgerliches Gesetzbuch*" (hereinafter also referred as: "BGB")).

In Germany, sales law is largely governed by the German Civil Code, § 433 ff. BGB. If the sales contract is concluded between two merchants, the sales law is complemented and partially modified by the provisions of the German Commercial Code ("*Handelsgesetzbuch*" — hereinafter also referred as: "HGB"), §§ 373 et seq. HGB). If the sale is made with a consumer (sale of consumer goods), additional consumer protection standards apply (§§ 474 et seq. BGB).

With regard to sales to consumers, the sales law provisions of the German Civil Code (BGB) apply. The BGB implements various EU sales law directives. Purchase law has undergone far-reaching changes as of 2022 through the implementation of the Goods Directive (2019/771/EU) and the Digital Content Directive (2019/770/EU) (implemented in particular in Sections 327 et seq. and Sections 475a et seq. of the German Civil Code for digital products).

According to the German Civil Code (BGB), the seller is obliged to hand over the item to the buyer and to procure ownership of it — free of material defects and defects of title, § 433 Para. 1 BGB. The buyer is therefore entitled to a fulfillment claim for the handover and transfer of ownership of a defect-free item.

If the item is defective at the time of the transfer of risk (§ 446, § 447, § 475 para. 2, 3 BGB), i.e. usually at the time of handover, this gives rise to warranty rights for the buyer.

The item is free of material defects if it fulfils the so-called subjective requirements, the objective requirements and the assembly requirements in the following sense at the time of transfer of risk. The item fulfils the subjective requirements if it has the agreed quality, is suitable for the use stipulated in the contract and is handed over with the agreed accessories and the agreed instructions, including assembly and installation instructions. This condition includes the type, quantity, quality, functionality, compatibility, interoperability and other characteristics of the item for which the parties have agreed requirements. Unless otherwise effectively agreed, the item meets the objective requirements if it is suitable for normal use, has a quality that is customary for items of the same type and that the buyer can expect, taking into account the type of item and the public statements made by the seller, in particular in advertising or on the label, corresponds to the quality of a sample or specimen that the seller has made available to the buyer before the conclusion of the contract, and is handed over with the accessories, including packaging, assembly or installation instructions and other instructions that the buyer can expect to receive. This usual condition includes the quantity, quality and other characteristics of the item, including its durability, functionality, compatibility and safety. If assembly is to be carried out, the item meets the assembly requirements if the assembly has been carried out properly or has been carried out improperly, but this is neither due to improper assembly by the seller nor to a defect in the instructions provided by the seller. If the seller delivers an item other than the contractually owed item, this is equivalent to a material defect, § 434 BGB.

The burden of proof that the goods were defective at the time of the transfer of risk generally falls to the buyer, § 363 BGB. However, if the goods are sold to a consumer, the burden of proof is reversed: if a defect appears within one year, it is presumed in favor of the buyer that the goods were already defective at the time of transfer of risk. In this case, it is up to the seller to rebut this presumption, § 477 BGB.

If the item is defective, the buyer is entitled to request subsequent fulfillment (at his discretion, new delivery or rectification), to withdraw from the contract, to reduce the purchase price or to demand compensation for damages or expenses, § 437 et seq. BGB. However, the buyer has to give the seller the opportunity for subsequent fulfillment and set a grace period for this purpose before the buyer can demand compensation or withdraw from the purchase contract. This grants the vendor a second opportunity. As part of the subsequent fulfillment, the buyer must also bear the necessary expenses (e.g. transport costs).

Warranty claims for movable goods generally expire within two years, beginning with the handover of the purchased item, § 438 Para. 1 No. 3 BGB.

In addition to these warranty rights, the manufacturer or seller may grant the buyer guarantee rights (guarantee), Section 443 (1) BGB. If such a guarantee of durability is given, it is assumed by law that a defect occurring during the guarantee period constitutes the guarantee rights.

Consumer Rights and Special Regulations for E-Commerce and the Sale of Digital Products

Additional Regulations for the Sale of Consumer Goods

In the case of sales to a consumer, the sales law is stricter in favor of the buyer in some points, § 474, § 475d, § 475e, §§ 476, 477 BGB. This applies both to purchases of goods (Section 241a (1) BGB) and to sales contracts that also include the provision of a service (Section 474 BGB).

Special Provisions for the Sale of Digital Products

The law contains further special provisions for consumer contracts for digital products. These include the provision of payable digital content or digital services (Sections 327 ff., Section 475a, Section 475b, Section 475c, Section 475e BGB). Digital content includes computer programs, music files, video files, audio files, digital games, electronic books and other electronic publications.

Special Provisions for Consumer Contracts via E-Commerce

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 he fulfilled under foreign law.

Civil law also contains special provisions for e-commerce. The provisions of Sections 312-312k BGB implement, among other things, the European Consumer Rights Directive (2011/83/EU) and the European E-Commerce Directive (2000/31/EC) and contain several special provisions for the conclusion of consumer contracts in the e-commerce sector. This is intended to standardize a certain level of consumer protection. In particular, the regulation of distance contracts (Section 312c BGB) is relevant, for which Sections 312d-312f BGB supplement consumer protection with special obligations and provide for a separate right of withdrawal (Section 312g, Sections 355 et seq. BGB). The provisions of the third chapter under Sections 312i-312j of the German Civil Code (BGB) include regulations on electronic commerce.

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 the contract document giving the identity of the contracting parties or a confirmation of the contract reflecting the content of the contract. 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 ("*Einführungsgesetz 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 cancelation 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. The cancelation 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.

Product Compliance and Product Liability

In addition, there are other obligations that primarily apply to the manufacturer of a product. These arise from product safety regulations and product liability regulations, in particular under the Product Liability Act and under tort law.

A manufacturer within the meaning of the law is anyone who has manufactured the end product, a raw material or a partial product. A manufacturer is also deemed to be anyone who claims to be a manufacturer by affixing his name, trade mark or other distinctive sign. Furthermore, anyone who imports or brings a product into the area of application of the Agreement on the European Economic Area for the purpose of sale, rental, hire-purchase or any other form of distribution with a commercial purpose within the scope of their business activity is deemed to be a manufacturer. Depending on the specific circumstances of the individual case, suppliers may also be considered manufacturers in exceptional cases.

Product compliance

As a general rule it can be stated that each product, which is put into the German market must he 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 fulfillment 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.

For the products in question (considering furniture and home furnishings, home appliances, electric tools, consumer electronics, sport and wellness products and others), among others, the following selection of rules and regulations shall be observed:

- Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety, updated by the General Product Safety Regulation (GPSR) 2023/988 which will apply to all products placed on the EU market from 13 December 2024 (with a transitional period)

- Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market

- Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC

- Regulation (EU) No 1007/2011 of the European Parliament and of the Council of 27 September 2011 on textile fibre names and related labelling and marking of the fibre composition of textile products and repealing Council Directive 73/44/EEC and Directives 96/73/EC and 2008/121/EC of the European Parliament and of the Council

- Regulation (EU) 2017/1369 of the European Parliament and of the Council of 4 July 2017 setting a framework for energy labelling and repealing Directive 2010/30/EU

- European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste

- Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment

- Directive 2014/35/EU of the European Parliament and of the Council of 26 February 2014 on the harmonisation of the laws of the Member States relating to the making available on the market of electrical equipment designed for use within certain voltage limits

- Directive 2014/53/EU of the European Parliament and of the Council of 16 April 2014 on the harmonisation of the laws of the Member States relating to the making available on the market of radio equipment and repealing Directive 1999/5/EC

- Directive 2014/30/EU of the European Parliament and of the Council of 26 February 2014 on the harmonisation of the laws of the Member States relating to electromagnetic compatibility

- Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment (WEEE)

- Directive 2006/66/EC of the European Parliament and of the Council of 6 September 2006 on batteries and accumulators and waste batteries and accumulators and repealing Directive 91/157/EEC

- Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of eco-design requirements for energy-related products

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 9 March 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.

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

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.

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

In Germany, either the seller or the producer, or both jointly, can he 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 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 buyer has the aforementioned warranty rights. 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 § 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.).

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, meaning regardless of fault. 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 arid 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 he 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.

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). 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 hand.

IP law

Germany has different IP laws in place to protect the various types of IP rights such as trademarks (*Markengesetz*), inventions (*Patentgesetz* and *Gebrauchsmustergesetz*), copyright (*Urhebergesetz*) and designs (*Designgesetz*). Each of these Acts set out the specific requirements under which protection is granted, the scope of protection, and the rights in case of an infringement.

Whereas protection of some of the IP rights (such as patents or trademarks) is generally granted upon its registration in the public trademark or patent register, other IP rights do not need to be registered to enjoy protection (such as copyrights, unregistered trademarks know-how). The basic privilege of the IP right holder is that they can exclude third parties from using the IP right without their authorization. It is also the IP holder's right to commercialize its IP rights, e.g. sell it or grant licenses to other parties. The German Patent and Trademark Office (*Deutsches Patent- und Markenamt, DPMA*) is competent for the registration of the IP rights and its cancellation in case a third party opposes the registration or later files a nullity request. In case of an infringement, cease-and-desist, information and damage claims may be raised.

Act against Unfair Competition

The German Act against Unfair Competition (*Gesetz gegen den unlauteren Wettbewerb*, "**UWG**") is a set of provisions that regulate special aspects of fair trade on the German market. Its purpose is to protect the competitors, consumers and other market participants against unfair commercial practices and the interests of the public in undistorted competition.

As a general principle, unfair commercial practices are illegal according to § 3 para. 1 UWG. The commercial practices in relation to consumers that are listed in the Annex to the UWG are always deemed illegal. Apart from that, the UWG describes situations in which unfairness is deemed to have occurred, e.g. aggressive commercial practices (Section 4 UWG), misleading commercial practices (Section 5 UWG) and sets out the principles of comparative advertising (Section 6 UWG). Not only unfair practices, but also unacceptable nuisance to a market participant is illegal (Section 7 UWG), which particularly applies to unwanted advertising. Examples of prohibited practices are the exercise of direct or indirect coercion on customers, if a consumer acquires products not on the basis of a free decision but because of the pressure exerted on him/her, the targeted "harmful obstruction" of other competitors, the poaching of customers or employees from competitors, or calls for boycotts.

The most important claim to act against practices that are prohibited pursuant to the UWG is the claim for injunctive relief. Apart from the injunctive relief, claims for damages or for information are possible. In general, a 6-month limitation period applies to all claims concerning UWG.

Data protection law

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 (BDSG). 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.

GDPR principles

The GDPR provides various principles that also run through the national regulations and must therefore always be observed. If these principles/requirements are not met and unlawful processing takes place, data subjects can assert their rights under the GDPR and sue for damages. There may also be a threat of proceedings by the supervisory authorities.

Some of the most relevant principles of the GDPR are regulated in Art. 5. Any personal data must always be processed on a legal basis (Art. 5 I a) GDPR), in a transparent manner (Art. 5 I a), Art. 13 GDPR) and with the usage of such data limited to a specific, explicit purpose (Art. 5 I b) GDPR). The personal data that is stored must be kept to a minimum (Art. 5 I c) GDPR) and up-to-date (Art. 5 I d) GDPR), and must be deleted as soon as it is no longer

needed for the specified purpose (Art. 5 I e) GDPR). The processing of personal data with/between several parties must be regulated by corresponding data processing agreements like a data processing agreement (Art. 28 GDPR) or a joint controller agreement (Art. 26 GDPR). This also applies for data processing between group companies and affiliates.

The transfer of personal data outside the EU/EEA must meet special requirements. There must either be an adequacy decision by the EU Commission for the country in which the recipient is located or additional guarantees in accordance with Art. 46 GDPR. This also applies for data transfers between group companies and affiliates. If data of European citizens will be stored on the servers in Hong Kong, appropriate guarantees (Art. 46 GDPR) must be in place.

Legal consequences of violations of the GDPR

Any person who has suffered material or non-material damage as a result of an infringement of this Regulation shall have the right to obtain compensation from the controller or processor for the damage suffered. The data subjects may therefore bring an action for damages before the civil courts. In May 2023, the European Court of Justice ruled that no materiality threshold is to be observed and thus also allows for "trivial cases". In addition to legal action in the civil courts, administrative proceedings can also be brought before the supervisory authorities. These can either carry out an inspection of the company on their own initiative or because someone, e.g. a data subject, has issued a notification. Infringements of the provisions of the GDPR can lead to fines of up to 20,000,000 EUR or up to 4% if the total worldwide annual turnover of the preceding financial year, whichever is higher. Strictly adhering to the GDPR is therefore important for any company operating within it's framework.

Each supervisory authority has the corrective powers to impose a temporary or definitive limitation including a ban on processing. In this case, the data processing that is not lawful in the opinion of the supervisory authority must be stopped accordingly. Depending on the circumstances, this can cause the entire operation of a company to come to a standstill.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN ITALY

Consumer Rights Compliance

Italian Consumer Code — General information

The Italian consumer protection legislation — mainly deriving from EU Directives — has been pooled in the so called "**Consumer Code**" (*Codice del Consumo* — Italian Legislative Decree no. 206 of 6 September 2005), as subsequently amended, lastly by Legislative Decree no. 26 of 7 March 2023, which transposed EU Directive 2019/2116 (*Direttiva Omnibus*). The rules of the Consumer Code shall apply to agreements concluded between a professional and a consumer[1].

[1] The provisions of the Italian Civil Code regulating the sale (Art. 1492 et seq. of the Civil Code) apply to the contract of sale where the sale is made to a person who cannot be qualified as a consumer under the Consumer Code (e.g., C2C and B2B).

The Consumer Code provides, *inter alia*, the following:

Information to the consumer

According to the Consumer Code, specific information must appear on the packaging or on the labels of the products placed on the market in Italy since the products were offered for sale to the consumer. The seller is also required to provide the consumer with a range of information relevant to his identification. The consumer must be also informed about the price of the product, the possible methods of payment, about conditions, terms, procedures, and sample form to exercise withdrawal and about the existence of the legal guarantee of conformity for goods. Violation of the aforementioned provisions of the Consumer Code are punished by an administrative fine ranging from 516.00 euros to 25,823.00 euros.

Seller's liability, legal guarantee of conformity and right of withdrawal

According to the Consumer Code, the seller shall ensure that the products sold correspond to the contractual description, type, quantity, and quality and meet certain conformity requirements specified by the Consumer Code itself. Therefore, the seller shall be liable for any lack of conformity of the goods existing at the time of delivery and becoming apparent within two years. Direct action to report the defects not maliciously concealed by the seller expires 26 months after delivery. In case of lack of conformity of the good, the consumer shall have the right to the restoration of conformity or proportional reduction of the price or termination of the contract. For the purpose of restoring the goods to conformity, the consumer may choose between repair and replacement, provided that the remedy chosen is not impossible or excessively expensive for the seller. The consumer shall be entitled to a proportional reduction in the price or termination of the contract: (i) if the seller has failed to repair or replace the goods, (ii) if a lack of conformity becomes apparent despite an attempt to restore the goods, (iii) if the lack of conformity is so serious as to justify the price reduction or termination, (iv) if the seller has declared or it appears from the circumstances that he will not restore conformity within a reasonable time. The consumer does not have the right to terminate the contract if the lack of conformity is minor. The consumer shall be entitled to a price reduction proportional to the decrease in value of the goods. In case of termination, the consumer shall return the good to the vendor at the vendor's expense and the vendor shall refund to the consumer the price paid for the good upon receipt of the good. Seller may also grant conventional warranty over a specified period.

Pursuant to Article 52 of the Consumer Code, for online sales the consumer shall be given the right of withdrawal, consisting of the possibility to unilaterally terminate the agreement without incurring penalties. This right of withdrawal cannot be waived and may be exercised without explanation. In general, the consumer can exercise the right of withdrawal within the period of 14 days from delivery. However, if the information obligation regarding the consumer's right of withdrawal has not been fulfilled, the withdrawal period ends 12 months after the end of the initial withdrawal period. The exercise of the right of withdrawal terminates the obligation to perform the contract and the seller must reimburse, without delay and in any case within 14 days from the date on which he is informed of the withdrawal from the contract, all payments received from the consumer, which may include delivery charges. The seller may withhold the refund until he has received the goods or until the consumer has proved that he has returned them. The consumer who has exercised the right of withdrawal must return the goods to the seller or to a third party authorized by the seller, without delay and in any case within 14 days from the date on which he communicated his decision to withdraw from the contract and bear the direct cost of returning the goods, provided that the seller has not agreed to bear it or has failed to inform the consumer that such cost is borne by him.

Unless the fact constitutes a crime, the seller who infringes on the rules or obstructs the consumer's exercise of the right of withdrawal or fails to reimburse the consumer shall be punished by an administrative fine, for each violation ranging from 5,000 to 50,000 euros.

Unfair commercial practices

According to Article 20 of the Consumer Code, unfair commercial practices are prohibited. A commercial practice shall be considered unfair if: i) it is contrary to the requirements of professional diligence, and it is false or; ii) it materially distorts, or it is likely to materially distort the economic behavior — with regard to the product — of the average consumer whom it reaches or to whom it is addressed, or of the average member of the group when a commercial practice is directed to a particular group of consumers. The Consumer Code distinguishes the unfair commercial practices between (i) misleading and (ii) aggressive commercial practices.

The body in charge for the repression of unfair commercial practices, also carried out on e-commerce and of applying Consumer Code is the Italian Competition Authority ("**AGCM**"), an administrative, non-judicial authority. Different to other — at least European — countries, the AGCM is competent also competent for consumer protection and has powers to investigate and to fine companies (including platform and any company selling online) for unfair commercial practices and misleading advertising[2]. The AGCM may also order the application of an administrative fine ranging from 5,000 euros to 10,000,000 euros. With regard to cases of an EU dimension, the AGCM can sanction up to 4% of the professional's annual turnover in Italy or in other Member States concerned. If there is no available information on the sanctioned professional's turnover, the sanction may not exceed Euro 2 million.

The Italian Legislative Decree no. 145 of 2007 — Misleading advertising

The statutory provisions of the Italian Legislative Decree no. 145 of 2007 (the **"Legislative Decree 145/2007"**) regarding misleading advertising are similar to those for unfair commercial practices regulated by the Consumer Code. However, Legislative Decree 145/2007 protects professionals and companies against misleading advertisings of other professionals, and anyone acting in their name and on their behalf (representatives or agents), and aims at clear, truthful, and correct advertisements. Moreover, it sets the conditions under which comparative advertising is considered lawful.

The body in charge for the repression of misleading advertising is the AGCM. The AGCM, with reference to the measure prohibiting the misleading advertising, could also order — to the platform or directly to the seller — the application of an administrative fine ranging from Euro 5,000.00 to Euro 500,000.00, to be calculated on the basis of the duration and seriousness of the breach of the provisions of Legislative Decree 145/2007. Moreover, the maximum fine for infringement of the suspension or the breach of the undertakings accepted by AGCM, or the infringement of the final order issued by AGCM is between Euro 10,000.00 and Euro 150,000.00 plus the suspension of the activities for a maximum period of 30 days.

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[2] Should the AGCM, acting on its own behalf or further to any interested party or organization's claim, ascertains the deceptiveness of an advertising message, could:

- prohibit the dissemination or continuation of the commercial practice;
- order the provisional suspension of unfair commercial practices where there is particular urgency;
- order to publish the decision in the mass media;
- order the modification of the packaging of the products;
- order the operator to pay a fine.

The Italian Legislative Decree no. 70 of 2003 — electronic commerce

Italian Legislative Decree no. 70 of 2003, on "*Implementation of Directive 2000/31/EC on certain legal aspects of information society services in the internal market, with particular reference to electronic commerce*" (the **"Legislative Decree 70/2003"**) represents Italy's main regulatory source on electronic commerce. It implements the European Directive on electronic commerce (2000/31/EC). Legislative Decree 70/2003 regulates the requirements to which the exercise of online sales activity is subject[3].

Unless the fact constitutes a crime, for violations of the provisions of Legislative Decree 70/2003, the natural or legal person who conducts an online activity shall be punished by a fine of ranging from 103 euros to 10,000 euros by the administrative policing bodies. If, on the other hand, the provisions of the Consumer Code are violated and an unfair commercial practice is implemented in the e-commerce sector, the AGCM is responsible for ascertaining the violation.

Product Compliance[4]

Product safety and manufacturer's liability — The new EU General Product Safety Regulation

Articles 102 to 113 of the Consumer Code[5] are specifically related to the product safety. The manufacturer shall place on the market only safe products, providing the consumer with all information relevant to the assessment and prevention of risks arising from normal or reasonably foreseeable use of the product and prevention against such risks[6]. The manufacturer shall be also liable for damage caused by defects in its product. The manufacturer shall pay compensation for the damage caused in accordance with the provisions of Article 123 of the Consumer Code[7].

Unless the fact constitutes a more serious crime, a manufacturer who places dangerous products on the market in violation of the provisions of the Consumer Code may be punished by imprisonment of up to one year and a fine ranging from 10,000 euros to 50,000 euros.

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3 Legislative Decree 70/2003 provides for a series of specific information obligations on the natural or legal person exercising an online activity. In addition, Legislative Decree 70/2003 provides, *inter alia*, the following: (i) commercial communications must contain a specific disclosure showing their nature as commercial communications or promotional offers and the entity on whose behalf they are made; if they are unsolicited commercial communication, the recipient may object at any time to receiving future communications; (ii) the technical steps to be followed in concluding the contract must be clearly indicated and the general terms and conditions must be easily accessible and available; (iii) after the execution of the contract, the provider must acknowledge receipt of the order and summarize the general terms and conditions applicable to the contract and information regarding the characteristics of the good or service. If the offer of goods or services is addressed to consumers, the Consumer Code also applies.

4 Only the laws and regulations that are deemed potentially relevant considering the business activities performed and the products sold in Italy by the Company are illustrated. Additional or different laws and regulations may apply depending on the products actually sold to Italy.

5 Articles 102 to 113 shall be replaced by the provisions of EU General Product Safety Regulation No. 988 of 2023 as of December 13, 2024 (the "New Regulation"), when the provisions of New Regulation will be applicable.

6 According to the Consumer Code, a safe product is defined as any product which under normal conditions of use, or those which may be reasonably expected, does not present any risk or only minimum risks considered acceptable and consistent with a high level of personal health and safety.

7 i.e., for damages caused by death or personal injury; for the destruction or deterioration of a thing other than the defective product, provided it is of a type normally intended for private use or consumption and so primarily used by the injured party.

Regulation (EU) 2017/1369 — electrical, and electronic products

Special regulations that operate in derogation from the provisions of the Consumer Code shall apply to certain categories of products (e.g., electrical, and electronic products). All "energy-related products" (e.g. household appliances) placed on the European union market are subject to the Regulation (EU) 2017/1369 of the European Parliament and of the Council setting a framework for energy labelling and repealing Directive 2010/30/EU (the **"Regulation (EU) 2017/1369"**). The Regulation (EU) 2017/1369 provides specific rules about labelling of "energy-related products" and standard product information regarding energy efficiency, the consumption of energy and of other resources by products during use and supplementary information concerning products, thereby enabling consumers to choose more efficient products to reduce their energy consumption.

Pursuant to Italian Legislative Decree no. 104/2012, unless the fact constitutes an offence, in the event of violation of EU Regulation No. 1369 of 2017, the supplier shall be imposed an administrative fine ranging from 2,000.00 euros to 30,000.00 euros.

The Directive 2011/65/EU ("RoHS Directive") — hazardous substances in electrical and electronic equipment

Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment is officially known as the RoHS Directive. It restricts the use of certain substances deemed hazardous (e.g., lead, mercury, cadmium) in the production of small and large household appliances and electrical and electronic instruments, in the European Union. In addition, the RoHS Directive requires CE marking and EU Declaration of Conformity before placing electrical and electronic equipment on the market. It aims at certifying that such products comply with the safety requirements imposed by the relevant regulations[8]. The issuance of Directive 2011/65/EU was followed by the issuance of the so-called RoHS2 and, later, RoHS3, which expanded the list of restricted substances for use.

The Regulation (EC) 2006/1907 ("REACH")

The Regulation (EC) 2006/1907 of European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals, as last amended by Regulation (EU) 2024/2462, (the **"REACH"**) has been adopted to improve the protection of human health and the environment from the risks that can arise from chemicals. REACH applies in principle to all chemicals: not only those used in industrial processes, but also those found in items such as furniture and household appliances. Consequently, the restrictions defined in REACH must be monitored as well by manufacturers and distributors of electrical, and electronic products, and furniture items. Under REACH, manufacturers and/or importer are responsible for collecting information on the properties and uses of substances they manufacture or import in quantities of one ton or more per year. They are also required to identify and assess the hazards and potential risks that may result from the substance they produce and market in the European Union. This information must be communicated to European Chemical Agency ("**ECHA**").

Pursuant to Italian Legislative Decree no. 133 of 2009, the manufacturer or the importer responsible for violations of the provisions of REACH shall be punished by an administrative fine ranging from 3,000 to 90,000 euros or, for the most serious violations, with imprisonment of up to three months and a fine ranging from 40,000 to 150,000 euros.

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[8] It should be noted that, on the other hand, fitness products are subject to CE marking requirements only in cases where they have electrical or electronic components, are equipped with pulleys for weightlifting, or are intended for rehabilitative exercises. Furnishings are not subject to the CE marking requirement, provided they are not motorized and do not contain electrical components.

Regulation (EU) 2019/1020 (the "Market Surveillance Regulation")

The objective of the Regulation (EU) 2019/1020 of the European Parliament and of the Council of 20 June 2019 on market surveillance and compliance of products (the "**Market Surveillance Regulation**") is to ensure that only compliant products that meet the high levels of safety required by the European Union circulate on the European market. Market Surveillance Regulation states that products subject to CE marking requirements (e.g., electronics products) can only be placed on the European market if there is a relevant economic operator established in the UE.

Pursuant to Italian Legislative Decree no. 157 of 2022, unless the fact constitutes an offence, in the event of violation of the obligations provided by Market Surveillance Regulation, the manufacturer, authorized representative, importer or distributor, logistics service provider or any other natural or legal person subject to obligations in connection with the manufacture of the products, their sale on the market or their entry into service in accordance with the relevant Union harmonization legislation shall be imposed an administrative fine ranging from 10,000 euros to 60,000 euros.

Regulation (EU) no. 2010/995 ("EUTR")

The Regulation (EU) no. 2010/995 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market, also known as "EUTR" (European Timber Regulation) (the **"EUTR"**) establishes the obligations for entities introducing and/or placing wood and wood products (e.g., furniture made of wood) on the European market. It aims to fight the trade in illegally sourced wood by prohibiting its introduction and marketing on the European market. EUTR requires any natural or legal person who first introduces wood or products derived from it within the European market ("**Operator**") to implement a System of Due Diligence that allow the collection of a range of information on the wood materials the Operator intends to place on the market, carry out an assessment of the risk of their illegal provenance and, where necessary, identify and implement a range of measures to mitigate it.

Pursuant to Italian Legislative Decree no. 178 of 2014, for violation of the provisions of EUTR, the Operator shall be punished by an administrative fine ranging from 300,00 euros to 1.000.000 euros or for the most serious violations with imprisonment of up to one year and a fine of ranging from 2,000 euros to 50,000 euros.

Directive 2014/35/EU

The main purpose of directive 2014/35/EU is to ensure that electrical equipment on the European union market meets requirements that provide a high level of protection for the health and safety of people, pets, and property. In particular, the directive 2014/35/EU indicates a set of IEC/ISO EN technical standards to which manufacturers of electrical products must strictly adhere in order to ensure product safety.

Pursuant to Italian Legislative Decree no. 86 of 2016, violation of the requirements of the Directive 2014/35/EU shall be punished by an administrative fine of ranging from 50 euros to 150 euros for each non-compliant product, in any case not less than 10,000 euros and not more than 60,000 euros.

Directive 2014/30/EU

The main purpose of Directive 2014/30/EU is to regulate the compatibility of equipment from the point of view of electromagnetic interference. According to Directive 2014/30/EU, manufacturers of electronic equipment (as defined by the directive) are required to ensure that such equipment has been designed and manufactured in accordance with the essential requirements set out in Annex I to the directive.

Pursuant to Italian Legislative Decree no. 194 of 2007, anyone who places on the European union market or installs equipment that does not comply with the protection requirements of Annex I to the Directive 2014/30/EU shall be subject to an administrative fine of ranging from 250 euros to 24,000.00 euros.

Directive 2009/125/EU

The Directive 2009/125/EU establishes a framework of minimum eco-design requirements that products that consume energy during their use must meet in order to be used and sold in the European Union. Only products that meet these eco-design requirements can be CE-marked and can be marketed in the European Union.

The Directive 2009/125/EU has been repealed with effect from 18 July 2024 by Art. 79 of the Regulation (EU) 2024/1781, except for some provisions specified in Art. 79 of the Regulation (EU) 2024/1781 itself, which therefore continue to apply.

Pursuant to Italian Legislative Decree no. 15 of 2011, anyone who places on the market products without the CE marking or with a counterfeit marking shall be punished, unless the act is provided for as a crime, with an administrative fine from 20,000 euros to 150,000 euros.

Regulation (EU) 2024/1781

The Regulation (EU) 2024/1781, which repeals the Directive 2009/125/EU, will apply from 2027 to all products placed on the European market or put into service, including intermediary products and components, which, in order to be placed on the market, will have to comply with certain sustainability requirements set out in the Regulation (EU) 2024/1781 itself (e.g. reusability, repairability, serviceability, presence of hazardous chemicals, recycled content, environmental impacts, etc.). In any case, in order to be placed on the market, the product must have a Digital Passport registered on a special European platform that contains a series of information specified by Regulation (EU) 2024/1781.

Regulation (EU) 2011/1007

The provisions of Regulation (EU) 2011/1007 are applied to textile products, as well as other products assimilated to textiles (e.g., covers of furniture whose textile parts constitute at least 80 percent) made available on the market of the European Union. In order to provide the most accurate information possible to consumers, the Regulation (EU) 2011/1007 requires that textile and textile-assimilated products may be made available on the European Union market provided they are labeled, marked or accompanied by commercial documents in accordance with the requirements of the Regulation (EU) 2011/1007 itself. Textile products must be labeled or marked to indicate their fiber composition whenever they are made available in the European union market. Only the textile fiber names listed in Annex I of the Regulation (EU) 2011/1007 may be used for the description of fiber composition in the labeling and marking of textile products.

Pursuant to Italian Legislative Decree no. 190 of 2017, the manufacturer or importer who violates the provisions of Regulation (EU) 2011/1007 shall be subject to an administrative fine of ranging from 1,500 euros to 20,000.00 euros; the distributor who violates the provisions of Regulation (EU) 2011/1007 shall be subject to an administrative fine of ranging from 200 euros to 3,500.00 euros.

Directive 94/62/EC

Directive 94/62/EC has been last amended by Directive (EU) 2018/852 and aims to harmonize national measures concerning the management of packaging and packaging waste and to reduce the impact of packaging and packaging waste on the environment. Directive 94/62/EC requires that packaging placed on the market in the European Union must meet the essential requirements set out in Annex II of Directive 94/62/EC.

Pursuant to Italian Legislative Decree No. 22 of 1997, those who violate the provisions of Legislative Decree No. 22 of 1997 shall be punished in accordance with articles 50 et seq. of the decree, i.e. with imprisonment from three months to three years or/and with an administrative fine of up to about 52,000 euros.

Directive 2012/19/EU

Directive 2012/19/EU, as last amended by Directive 2024/884/EU, aims to prevent the generation of waste electrical and electronic equipment and promote the reuse, recycling and other forms of recovery of waste electrical and electronic equipment.

Pursuant to Italian Legislative Decree No. 49 of 2014, the manufacturer who violates the provisions of Directive 2012/19/EU shall be punished with an administrative fine from 100 euros to 100,000 euros.

Directive 2006/66/EC

Directive 2006/66/EC has been last modified by Directive (EU) 2018/849 and it prohibits the placing on the market of certain types of batteries and accumulators with a mercury content above a given threshold. It should be noted that that Directive 2006/66/EC will be repealed, with effect from 18 August 2025, by article 95 of Regulation (EU) 2023/1542, except for some provisions specified in Art. 95 of the Regulation (EU) 2023/1542 itself.

Lastly, Art. 77 of the Regulation (EU) 2023/1542 has been amended by Regulation (EU) 2024/1781.

Pursuant to Italian Legislative Decree No. 188 of 2008, manufacturers, importers, exporters and distributors who place batteries and accumulators in the national territory without complying with regulatory compliance obligations may incur administrative fines ranging from a minimum of 50 euros to a maximum of 100,000 euros.

Regulation (EC) 2012/528

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

Lastly, Annex I to the Regulation (EU) 2012/528 has been amended by Regulation (EU) 2024/1290.

Italian Legislative Decree No. 179 of 2021, provides that who violates the provisions of the Regulation (EU) 2012/528 shall be punished with a fine ranging from a minimum of 1,000 euros to a maximum of 18,000 euros.

Compliance with Competition Law

The sale of products in Italy – offline and online – must be made in compliance with European and Italian competition law, even if done by a company with registered office outside the EU. Competition law in Italy prohibits in particular:

(i) Agreements and practices in restraint of competition/cartels (Art. 101 TFEU and Art. 2 of Italian law 287/90)[9]

(ii) Abuse of dominant position (Art. 102 TFEU and Art. 3 of Italian law 287/90)[10]

(iii) Abuse of economic dependence (Art. 9 of Italian Law 192/98)

Art. 9 of Italian law 192/98 protects in particular small and medium enterprises against unilateral and unexpected termination of the contractual relationship, unilaterally terms and conditions imposed on the weaker contractual partner, or unilateral modifications of contractual terms and conditions, in particular costs and prices and the application of unfair penalties.[11]

The AGCM is competent to investigate any competition infringement in Italy. In case of infringement of the aforementioned antitrust provisions, AGCM can impose fines up to 10% of the worldwide turnover achieved by the undertaking or entity concerned in the last financial year closed before the date of the infringement decision. The 10% limit may be based on the turnover of the group to which the company belongs if the parent of that group exercised decisive influence over the operations of the subsidiary during the infringement period. The AGCM has also a leniency program.

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[9] Any form of cooperation between independent undertakings that — by object or by effect — prevents, restricts, or distorts competition, irrespective of whether this cooperation is achieved through agreements/formal contracts, informal understandings or exchange of information, also within associations, consortia, and similar entities.

[10] In particular, are considered an abuse of dominant position:
- direct or indirect imposition of unfair selling or purchasing prices,
- (price) discrimination of contractual partners in case of equivalent transactions,
- exclusivity obligations/single branding with the aim of market foreclosure for competitors,
- tying and bundling,
- loyalty rebates having a discriminatory/foreclosure effect,
- refusals to deal, if this substantially weakens competition in the relevant market,
- predatory pricing,
- unfair terms and conditions, if aimed at discrimination or foreclosure.

[11] The following should be considered when evaluating a significant imbalance: the financial means of the supplier, the duration of the relationship and the reliance on the continuation of the same caused by the buyer, the importance of the buyer on the market, market shares and brands, contractual conditions and the business reasons for choosing the buyer, as well as alternative possibilities for the supplier to sell its products.

Compliance with Data Protection Law

Primarily it is worth noting that the application of GDPR turns on whether an organization is established in the European Union ("**EU**"). An "establishment" may take a wide variety of forms and is not necessarily a legal entity registered in an EU Member State. However, GDPR also has "extra-territorial" effect. For a detailed description of the GDRP please refer to the German Regulatory Overview.

The Italian data protection law framework mainly include, in addition to GDPR, the Italian Legislative Decree no. 196 of 30 June 2003, *Italian Data Protection Code*, as subsequently amended and supplemented, in particular by Italian Legislative Decree no. 101/2018, setting forth provisions on the harmonization of the national laws to GDPR ("**Privacy Code**"). We would like to draw your attention on the following provision:

– minors: for consent to the processing of personal data in relation to the offer of information society services directly to a child, 14 is the minimum age in Italy. Italy has exercised the power set forth in the GDPR which sets 16 as the minimum European standard but allows member states to lower the threshold;

– unsolicited communication: marketing by email, facsimile, MMS or SMS-type messages requires prior recipients' consent (Article 130 of the Privacy Code). Prior consent for marketing by email is not required for recipients who have already purchased similar products or services. In this case, data subjects must be informed that their email address will be used for marketing purposes and that they have the right to object to such processing (e.g., through an opt-out/unsubscribe link at the end of the message). These restrictions also apply in a business-to-business context. A consumer who wishes not to receive unsolicited sales and marketing proposals by phone or by mail can object to such activities by joining a public opt-out register (so called "*Registro Pubblico delle Opposizioni*"). Using the data listed in this register for marketing purposes is allowed subject to strict compliance with specific requirements (*e.g.* data subject's prior consent within an ongoing relationship that has not expired for more than 30 days or the data subject has not entered in the *Registro Pubblico delle Opposizioni*).

– Cookie and other tracking tools: in July 2021 Garante released a new set of guidelines for the use of cookies and other tracking tools which introduce a number of new provisions (applicable as of 9 January 2022 — "**New Cookie Guidelines**") according to which, *inter alia*: (i) it must be obtained user's consent before setting non-technical cookies*;* (ii) users visiting a web site for the first time must be shown a cookie banner to be set up in strict compliance with the requirements under New Cookie Guidelines; (iii) scrolling or swiping a page is not considered a valid mechanism to collect the user's consent, unless it can be proved that scrolling or swiping of the user is the result of an unequivocal choice; (iv) cookie walls are unlawful; (v) analytics cookies can be used without consent only when it is not possible to single out a data subject; (vi) at least 6 months must elapse before you can show your cookie banner again.

Supervision over the GDPR and the Privacy Code is conducted by the *Garante per la Protezione dei Dati Personali* ("**Garante**") that has the power to impose administrative fines, as well as the corrective powers provided for by Article 58 (2) of GDPR. In addition to penalties and fines set forth by GDPR, Article 166 of the Privacy Code provides that (i) administrative fines up to Euro 10 million or up to 2% of the total worldwide annual turnover apply to the infringements of the certain provisions of Privacy Code, including, by way of

example only, failure to use clear and plain language for the purpose of obtaining valid consent for processing minors' personal data in relation to the direct offer of services of the information society; (ii) higher administrative fines, up to Euro 20 million or 4% of the total worldwide annual turnover, also apply in case of infringement of certain provisions of the Privacy Code, including, by way of example only, failure to obtain a valid consent for processing minors' personal data in relation to the direct offer of services of the information society; infringements of certain provisions in the context of electronic communications services. Moreover, any infringement of data protection law may also result in criminal prosecution of individuals[12].

Compliance with Intellectual Property Rights Law

Italian Legislative Decree no. 30/2005 ("**Code of Industrial Property**") regulates, *inter alia*, the registration and protection of trademarks and patents within the Italian jurisdiction, which has been amended and supplemented from time to time in order to implement within the national legislation several EU Directives and Regulations along with few general provisions of the Italian Civil Code, whereas the creation and protection of creative works (including software which under Italian law is not patentable by it is considered as a creative work) are instead regulated by the Copyright Act 633/1941.

The grant of a patent over an invention and the relevant rights conferred by such grant, are governed by article 2584 et seq. of the Italian Civil Code and by Section IV of Chapter II of the Code of Industrial Property. The inventor's exclusive right to exploit the invention arises only after an application is filed with the Italian Trademark and Patent Office and a patent is actually granted by the same after extensive examination. Trademarks are governed by article 2569 et seq. of the Italian Civil Code and by Section I of Chapter II of the Code of Industrial Property. The two requirements for a registration of a trademark are its distinctive character and novelty.

The protection of trademarks is granted by their registration before the Italian Patent and Trademark Office ("**IPTO**"). However, upon certain conditions, also the "*de facto*" user of a sign or expression as a trademark (i.e., a sign or expression not registered but actually utilised to market products or services) is entitled to act in order to defend its rights on such sign against third party's unauthorized use. To register any change in the ownership of industrial property rights or the establishment of security rights in favour of third parties on them, it is necessary to submit an application for a "Transcription" to the IPTO[13].

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12 The unlawful processing of data, the unlawful communication or disclosure of data related to a relevant number of data subjects and the fraudulent acquisition of personal data (according to Articles 167, 167-bis and 167-ter of the Privacy Code, respectively) are punished, provided that they are carried out intentionally and for the purpose of obtaining profit for themselves or for others. Criminal offences may be punished with imprisonment for a period of 6 months up to one year and 6 months (for unlawful processing of personal data), imprisonment for a period of one year up to six years (for unlawful disclosure and dissemination of personal data), imprisonment for a period of one year up to four years (in case of unlawful acquisition of personal data). More sever criminal sanctions may be provided in specific cases, such as whenever the criminal offence concerns special categories of personal data (e.g. data on health status, religious or political beliefs, sex life).

13 On a general basis, and subject to specific regulations, a transcription is an administrative act with declarative and not constitutive effect, and therefore, subject to certain exceptions, it is not mandatory and has only a function of legal publicity towards third parties. The following general principles apply to transcriptions: (i) the request for transcription must be presented when it is intended to communicate and render enforceable against third parties the modification or transfer of ownership of an industrial property right; (ii) the agreements and judgements, until they are transcribed, have no effect on unaware third parties who for any reason have acquired and legally retained rights on the industrial property title.

Compliance with Additional Law and Regulations Under the Italian Law

The civil liability of the management under Italian Laws

The Italian international private Law framework (Italian Legislative Decree no. 218/1995), which is applicable in cross border cases, provides under Article 25 that "*companies, associations, foundations and any other public or private entity including those without associative nature are governed by the Law of the State in which their incorporation took place. However, Italian Law applies if the headquarters of the management is located in Italy, or if the main purpose of such entities is located in Italy*". In principle, for companies based abroad having no business unit located in Italy, the civil and corporate law principles concerning the liability of the board of directors (appointed by the shareholder's or by the By-Laws, so called "*amministratori*") and the senior management team (so called "*direttori generali*" and/or "*figure apicali*") shall not apply.

For sake of completeness, the Italian Law provides a combination of duties, including the compliance with the obligations imposed by the law, the articles of association and the by-laws of the company and, more generally, the diligence required by the duty to manage and represent a company over the directors. Compliance with these obligations contributes to ensure that the company operates properly and carries out its business on a regular basis. The breach of the abovementioned obligations may imply prejudicial consequences both for the company and for third parties (including, but not limited to, creditors and shareholders); for the effect, the director may be held liable for any damage resulting from his or her lack of diligence.

The directors have to fulfil with the duties provided by the law and/or the corporate by-laws using the diligence required by the nature of their office and their specific expertise and operating with full compliance to the technical (as well as legal) rules of good corporate management. Such duties are general in scope and their practical application depends not only on the type and size of the company, but also on the context in which it operates. Under a general standpoint, directors may be held liable for any damage caused through a deliberate act of willful misconduct or gross negligence.

Article 2395 of the Italian Civil Code provides that "*The provisions of the previous articles shall not exclude the right of a shareholder or a third party who have been directly damaged by the directors' negligent or willful acts to claim for damages. The action shall be filed within five years from the occurrence of the act that has damaged the shareholder or third party*". Therefore, the directors and the senior management team may be held liable for damages suffered by third parties, as a result of their willful or negligent conduct. Moreover, as a result of their failure to fulfill their supervisory duties (so called "*culpa in vigilando*"), the board of directors and the senior management team could be held liable for acts of unfair competition committed by the company (jointly with the latter) and be required to indemnify the damage suffered by the company's competitors. Lastly, as mentioned above, it should be ruled out that the AGCM may impose sanctions directly against the directors of the company.

Corporate administrative liability under Italian Legislative Decree no. 231/2001

Italian Legislative Decree no. 231/2001 (the "Legislative Decree 231/2001") established corporate liability for crimes committed by individuals in the interest or to the advantage of a legal entity. In particular, the Legislative Decree 231/2001 provides for a form of liability to be borne by legal entities (such as companies) for certain crimes specifically enlisted in the Decree (so-called "predicate offences") committed in the interest or to the advantage of the entity by *(a)* individuals who hold the position of representatives, directors or managers of the entity or of one of its organizational units, or by *(b)* individuals subject to the management or

supervision of the latter. A company may be exempt from liability if, prior to the commission of the offence, it has adopted and efficiently enacted an organisational, management and control model aimed at preventing the offences referred to in Legislative Decree 231/2001.

Penalties specifically envisaged by Legislative Decree 231/2001 include pecuniary sanctions[14], seizure of the "gain" of crime (so called "*confisca*") and disqualification sanctions[15].

With reference to the liability of foreign entities in relation to offences committed in Italy, according to prevailing case-law a company is liable for the effects of its conduct irrespective of its nationality or where its head office is located, and of the existence in the country to which it belongs of rules similar to Legislative Decree 231/2001.

The crimes specifically mentioned in Legislative Decree 231/2001 that could be potentially relevant[16] are the following:

– Article 25-*bis,* Legislative Decree 231/2001 — Forgery of money, public credit cards, revenue stamps and instruments or identifying marks: in case of commission of one of the predicate offences enlisted, pecuniary sanction of up to 800 units and disqualification sanctions may be applied.

– Article 25-*bis.*1*,* Legislative Decree 231/2001 — Crimes against industry and trade: in case of commission of one of the predicate offences enlisted, pecuniary sanctions of up to 800 units and disqualification sanctions may be applied.

– Article 25-*quinquiedecies,* Legislative Decree 231/2001 — Tax Crimes: in case of commission of one of the predicate offences enlisted, pecuniary sanctions of up to 500 units and disqualification sanctions may be applied.

– Article 25-*sexiesdecies,* Legislative Decree 231/2001, as updated by Legislative Decree No. 141/2024 — Smuggling: in case of commission of one of the predicate offences enlisted, pecuniary sanctions of up to 400 units and disqualification sanctions may be applied.

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[14] Fines under Legislative Decree 231/2001 are applied in units; each unit ranges from a minimum of Euro 258.00 to a maximum of Euro 1,549.00 (depending on the seriousness of the offence, the size of the company and the implementation of restorative actions). Penalties are applied of not less than a hundred units and not more than a thousand units.Thus, minimum fines (minimum number of units, minimum determination of the unit) amounts to Euro 25,800.00 while maximum penalty to Euro 1,549,000.00 (maximum number of units, maximum determination of the unit).

[15] Legislative Decree 231/2001 envisages the following disqualification sanctions for legal entities: a) ban from exercising the business activity; b) suspension or revocation of authorizations, licenses, or concessions functional to the commission of the offence; c) prohibition to contract with the public administration d) exclusion from facilitations, financing, contributions or subsidies and the possible revocation of those already granted; e) prohibition from advertising goods or services. Disqualification sanctions are applied in relation to offences which provides them expressly, when *i)* the entity has derived a significant profit from the offence or *ii)* in case of repetition of the offence.

[16] Only the offences that are deemed potentially relevant considering the business activities performed in Italy by the Company are illustrated.

LAW AND REGULATIONS RELATED TO OUR BUSINESS IN THE UK

The Company's business in the UK is subject to various legal regulations. Below is an overview of the laws and regulations materially relevant to the Company's business in the UK.

The Consumer Protection from Unfair Trading Regulations 2008 (CPRs)

The CPRs is a law that aims to protect customers from deceptive practices in commercial transactions, and prohibits unfair trading practices which includes but not limited to misleading advertising or false information. The comprehensive framework it has established plays an irreplaceable role in protecting consumers from fraudulent or misleading behavior perpetrated by businesses.

Part 2, Prohibitions

Reg. 3 of Part 2, Prohibition of unfair commercial practices

Within *Reg. 3*, the law makes clear that a commercial practice is deemed unfair if it violates professional diligence requirements and significantly distorts or is likely to distort the average consumer's economic behavior concerning the product. Furthermore, it also states that, a commercial practice is unfair if it is a misleading action under the provisions of *Reg. 5* or if it is a misleading omission under the provisions of *Reg. 6*.

Reg. 5 of Part 2, Misleading actions

An action can be classified as misleading action if it contains false information and is untruthful or if it or its overall presentation in any way deceives or is likely to deceive the average consumer (*Reg. 5(2)(a)*) and it causes or is likely to cause the average consumer to take a transactional decision he would not have taken otherwise (*Reg. 5(2)(b)*).

Reg. 6 of Part 2, Misleading omission

A commercial practice is a "misleading omission" if, in its factual context, omits or hides material information, provides material information in a manner which is unclear or ambiguous that causes or is likely to cause the average consumer to take a transactional decision he would not have taken otherwise (*Reg. 6(1)*).

Part 3, Offences

Regs. 8 to 12, Offences relating to unfair commercial practices

A trader is guilty of an offence if he engages in a commercial practice which is a misleading action under Reg. 5 (*Reg. 9, Part 3, CPRs*); or if he engages in a commercial practice which is a misleading omission under Reg. 6 (*Reg. 10 CPRs*). The CPRs requires corporate bodies must use its professional diligence to monitor the trading of the business.

Reg. 13, Penalties for offences

A person guilty of an offence under Regs. 8 to 12 shall be liable on summary conviction, to a fine not exceeding the statutory maximum (*Reg.13(a)*); or on conviction on indictment, to a fine or imprisonment for a term not exceeding two years or both (*Reg.13(b)*). In the UK, a summary offence entails a maximum penalty of six months' imprisonment and/or a fine of £5,000.00. Additionally, the Magistrates Court has the authority to impose sanctions such as bans or community service.

Reg. 14, Time limit for prosecution

The *Reg. 14* sets out that, no proceedings for an offence under these CPRs shall be commenced after the end of the period of 3 years beginning with the date of the commission of the offence (*Reg.14(1)(a)*); or the end of the period of 1 year beginning with the date of discovery of the offence by the prosecutor (*Reg. 14(2)(b)*), whichever is earlier.

Reg. 15, Offences committed by bodies of persons

Where an offence under these CPRs committed by a body corporate is proved to have been committed with the consent or connivance of the body (*Reg.15(1)(a)*), or to be attributable to any neglect on his part (*Reg. 15(1)(b)*), the officer and the body corporate is guilty of the offence and liable to be proceeded against and punished accordingly. *Regs. 15(2)(a)&(b)* made it clear that, an "officer of a body corporate" includes a director, manager, secretary or other similar officer; and a person purporting to act as a director, manager, secretary or other similar officer.

In the UK, a person could be investigated by National Trading Standards or by the Competition and Markets Authority (CMA), but it is for the Crown Prosecution Service to decide if they will bring a claim against the persons in question.

Schedule 1 of the CPRs, Commercial practices which are in all circumstances considered unfair

The *Schedule 1, CPRs* lists "*31 banned practices*" that are deemed unfair in all circumstances, regardless of their effect on consumers. More specifically, "*Using editorial content in the media to promote a product where a trader has paid for the promotion without making that clear in the content or by images or sounds clearly identifiable by the consumer (advertorial)*", is explicitly banned (*Practice 11, Schedule 1, CPRs, undisclosed advertising*).

The Sale of Goods Act 1979 (SoG)

The SoG 1979 is a legislation in the UK which governs the sale of goods by businesses to consumers. It outlines the rights and obligations of both buyers and sellers in commercial transactions involving goods. The Act covers various aspects such as the implied terms of the contract, the transfer of ownership, and remedies for breaches of contract. It regulates all products purchased, whether by mail order, online or on the high street.

Section 13, Sale by description and Section 14, Implied terms about quality or fitness

Within the *Ss. 13 and 14*, the Act requires that where there is a contract for the sale of goods by description, the goods will correspond with the description and the goods supplied under the contract are satisfactory quality. Therefore, it is necessary to review the appearance and finish, freedom from minor defects, safety and durability, and a reasonable person would regard as satisfactory, to not be in breach of the *Ss. 13 and 14*.

Section 27, Rules about delivery

This section requires that the seller has the duty to deliver the goods, and the buyer needs to accept and pay for the item, in accordance with the terms of the contract of sale.

General Data Protection Regulation (GDPR)

The GDPR is described as the most stringent privacy and security law in the world as drafted and passed by the EU, and it imposes obligations onto organisations worldwide so long as they target or collect related to people in the EU. Even though UK has left the EU, the GDPR is retained in domestic law as the "UK GDPR", but the UK has the independence to keep the framework under review. The UK GDPR" sits alongside an amended version of the Data Protection Act 2018.

Information Commissioner's Office (ICO), the independent supervisory authority for data protection in the UK, requires that companies handling personal data of UK customers must obey the rule of the data protection.

Any company responsible for using personal data has to follow strict rules called "data protection principles", and they must make sure the information is: "*used fairly, lawfully and transparently; used for specified, explicit purposes; used in a way that is adequate, relevant and limited to only what is necessary; accurate and, where necessary, kept up to date; kept for no longer than is necessary; and handled in a way that ensures appropriate security, including protection against unlawful or unauthorised processing, access, loss, destruction or damage.*"

For serious breaches of the data protection principles, the ICO clarifies that they have the power to issue fines of up to £17.5 million or 4% of your annual worldwide turnover, whichever is higher. In line with their regulatory action policy, the ICO takes a risk-based approach to enforcement.

Financial Regulation

The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) regulate the financial services industry, ensuring stability, consumer protection, and market integrity.

Competition Regulation

The Competition and Markets Authority (CMA) promotes competition and prevents anti-competitive practices across various sectors of the economy.

Sanctions

The UK imposes various sanctions that can affect online selling, particularly for businesses engaged in international trade. Below are some of the UK sanctions that online sellers need to be aware of:

Financial Sanctions

Restrictions on providing financial services to, or engaging in financial transactions with, certain individuals, entities, or countries. This can include asset freezes and prohibitions on financial dealings. Financial sanctions can affect the ability to process payments from sanctioned individuals or entities. Businesses must ensure their payment processors also comply with sanctions.

Trade Sanctions

Restrictions on exporting or importing certain goods and services to and from sanctioned countries. This can include bans on specific products or requirements for export licenses. Online sellers cannot sell to customers in countries subject to comprehensive sanctions (e.g., North Korea, Syria). Partial restrictions may apply to other countries (e.g., Iran, Russia).

Sectoral Sanctions

Target specific sectors of an economy, such as energy, defense, and finance, restricting certain types of transactions and investments of which the Company is unlikely going to be targeted. Office of Financial Sanctions Implementation (OFSI): The OFSI provides guidance and maintains the UK sanctions list. They also offer support and resources for businesses to help ensure compliance.

Import Tariffs and Custom Regulations

UK Global Tariff (UKGT)

The UKGT replaced the EU's Common External Tariff post-Brexit and applies to goods imported into the UK from countries with which the UK does not have a free trade agreement. It aims to simplify tariff structures and reduce trade barrier. Businesses can use the HMRC Trade Tariff tool to determine the specific tariff rates applicable to their products. The legal framework for the UKGT is established under the *Taxation (Cross-border Trade) Act 2018*.

Customs Declarations

From 1 January 2022, all goods imported into the UK require a customs declaration. This process ensures that duties are paid, and the goods imported comply with safety, security, health, and environmental standards. The relevant legislation is the *Customs (Import Duty) (EU Exit) Regulations 2018*, which details the requirements for customs declarations, the classification of goods, and valuation rules.

Autonomous Tariff Quotas (ATQs)

These quotas allow for the importation of specific amounts of goods with reduced or zero tariffs to support supply chain stability and economic needs. The UK Government periodically reviews and updates ATQs based on market conditions. This is governed by the *Taxation (Cross-border Trade) Act 2018* and specific instruments such as the *Customs (Tariff Quotas) (EU Exit) Regulations 2020*.

VAT Taxes

Under the UK VAT regime, it is customary for European sales companies to remit the local import VAT when importing goods into the UK. The taxable value of these imports should reflect the actual sales price. However, if the goods are not sold at the time of import, the dutiable value is based on the Cost, Insurance and Freight (CIF) price.

Prior to January 1, 2021, goods valued at less than £15 were eligible for VAT exemption under simplified regulations. With the implementation of new UK cross-border e-commerce VAT rules effective from January 1, 2021, the exemption for goods under £15 has been abolished. For goods valued at less than £135 imported from abroad and sold to UK consumers via an online marketplace, i.e. a third-party e-commerce platform, the VAT liability at the point

of sale is transferred to the online marketplace. If the goods are within the UK at the time of sale, the overseas seller retains the initial VAT obligation upon import but may opt for deferred import VAT payment under the relevant policies. Should the deferred payment application be approved, when the goods are sold to customers, the overseas seller will be deemed to have made a zero-rated supply to the online sales platform, that is, a deemed supply, and the import VAT will be collected and paid when the goods are sold. Overseas sellers engaging exclusively in zero-rated supplies may either register for UK VAT or seek exemption from the registration requirement. Overseas sellers who have registered for a UK VAT number can offset the import VAT paid at the time of import against their VAT liabilities.

Transfer Pricing Regulations

The UK follows the OECD Transfer Pricing Guidelines, which require transactions between related entities to be conducted at arm's length.

Arm's Length Principle

The arm's length principle is the cornerstone of the UK's transfer pricing rules. It requires that transactions between associated enterprises be conducted as if they were unrelated, each acting in its own best interest. This principle is enshrined in UK law under Part 4 of the *Taxation (International and Other Provisions) Act 2010*. According to TIOPA 2010, transactions must reflect the commercial and financial conditions that would be made between independent enterprises.

HMRC Compliance and Enforcement

HMRC is responsible for enforcing transfer pricing regulations in the UK. HMRC conducts audits to ensure compliance and has the authority to make adjustments to taxable income if it determines that intercompany transactions were not conducted at arm's length. In cases where adjustments are made, penalties may also be imposed. The compliance process is guided by the Transfer Pricing Manual provided by HMRC. HMRC encourages businesses to engage in open dialogue through its Advance Pricing Agreement (APA) program, which allows companies to reach an agreement with HMRC on the appropriate transfer pricing methodology for specific transactions in advance. This can provide certainty and reduce the risk of future disputes. The APA process is outlined in the *UK Statement of Practice 2 (2010)*.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN FRANCE

Statutory Laws

Our business in France is subject to various legal regulations. Below is an overview of the laws and regulations materially relevant to our business in France. It does not claim to provide a complete and comprehensive presentation of all relevant regulations and of all the sanctions that may apply.

Consumer Rights Compliance

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 (such as its commercial name, corporate form, geographical address, tax registration number, telephone number and e-mail address). 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 (Article L.221-5 of the French Consumer Code). 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).

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. 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 (Article L. 112-1-1 of the French Consumer Code). 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.121-2 and 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: (i) 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 of the French Consumer Code); (ii) 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 of the French Consumer Code).

As of May 28, 2022, the following practices constitute misleading trading practices in all circumstances: (i) 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); (ii) provide or have provided by another legal or natural person 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 inter alia to 2-year 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).

Guarantees due to the consumers

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 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).

Compliance with Billing Regulation Between Professionals

Any purchase of products or provision of services for professional activities is subject to invoicing. The seller is obliged to issue the invoice upon delivery or provision of services. The buyer is required to request it. Both the seller and the buyer must retain a copy of any invoice issued for the duration specified by the applicable provisions of the general tax code. Certain details are mandatory (the names and addresses of the parties, and their billing address if different, the date of the sale or provision of service, the quantity, precise description, and unit price excluding VAT of the products sold and services rendered, as well as any price reduction obtained at the date of sale or provision of services and directly related to that transaction, excluding discounts not specified on the invoice) (Article L.441-9 of the French Code of Commerce). Any failure to comply with the above is subject to an administrative fine not exceeding €375,000 and in case of repeated breaches €750,000 within a two-year period from the date the initial sanction decision becomes final (Article L.441-9 of the French Code of Commerce).

Product Compliance

The Company's product portfolio covers categories including furniture and home furnishings, home appliances, electric tools, consumer electronics, sport and wellness products and others. 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 (Eco-design 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, Fiber 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.

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 — "fulfillment 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) signaling and informing the network of enforcement authorities of all EU Member States while publicizing this information. Furthermore, non-compliance with product safety regulations is subject to fines (of up to €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.

In case of defective product (i.e. not offering the safety that can legitimately be expected), the Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety shall be observed. 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.

Compliance with IP Law

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 years) 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.

Law Regulating Commercial Influence

A new law was enacted in France on June 9, 2023 [Law no. 2023-451] to regulate the slippages of the influencers on social networks.

The first significant contribution of this law was to define what is meant by "influencer". This point is crucial as it was important to differentiate an influencer from a model or an ambassador. The first article of this law states that any "natural or legal persons who, for a fee, use their reputation among their audience to communicate content to the public by electronic

means for the purpose of promoting, directly or indirectly, goods, services, or any cause whatsoever, engage in the activity of commercial influence by electronic means". To fall within the scope of the definition, all the conditions have to be fulfilled, in particular the existence of a counterpart which is essential. This latter may consist of remuneration, a gift of any kind or a visibility exchange. The definition of the influencer is quite broad, and there is no distinction among influencers depending on the size of their community.

The second significant contribution of this law is the obligation for the parties to sign a contract. A written contract between the different parties is now mandatory and shall specify some information including the nature of the missions and the compensation paid, under penalty of nullity. It is also mandatory to mention that the contract is governed by French law, in particular the law dated June 9, 2023 from a threshold of sum or value of the operation. However we have no information as of today on the threshold of the sum of money or value of the operation. This law also states a joint liability between actors (advertisers, agencies and/or influencers), who can be sanctioned due to the actions of an influencer damaging third parties.

Consumer protection is also key in this new regulation : the transparency of content constitutes an essential change for influencers and advertisers. For any promotion of goods or services by a commercial influencer within the meaning of the new law, the wording of "*Publicité*" (i.e. advertising) or "*collaboration commerciale*" (i.e., commercial relationship) shall appear clearly, readably, in any publishing, regardless of whatever the format, and during the entire promotion. Any oversight may be punished with a fine of up to €300,000.

Law Regulating Unfair Competition

Unfair competition is sanctioned by case law on the ground of the civil liability/tort law (Articles 1240 and 1241 of the French civil code). In such case, an action for damages is brought by a competitor before civil courts.

Three conditions must be met for an economic operator to take this action against a competitor: (1) a fault of a competitor which refers to any practice which is contrary to commercial practice and professional honesty, regardless of whether there is any intention to cause harm; (2) a loss, which refers to any damage suffered by the other competitor that causes a commercial disturbance; and (3) a causal link, which is generally inferred from the fault and the loss.

Data Protection Law

Data protection is fundamentally regulated in the provisions of the EU General Data Protection Regulation (EU) 2016/679 (GDPR). 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.

GDPR principles

The GDPR provides various principles that also run through the national regulations and must therefore always be observed. If these principles/requirements are not met and unlawful processing takes place, data subjects can assert their rights under the GDPR and sue for damages. There may also be a threat of proceedings by the supervisory authorities.

Some of the most relevant principles of the GDPR are regulated in Art. 5. Any personal data must always be processed on a legal basis (Art. 5 I a) GDPR), in a transparent manner (Art. 5 I a), Art. 13 GDPR) and with the usage of such data limited to a specific, explicit purpose (Art. 5 I b) GDPR). The personal data that is stored must be kept to a minimum (Art. 5 I c) GDPR) and up-to-date (Art. 5 I d) GDPR), and must be deleted as soon as it is no longer needed for the specified purpose (Art. 5 I e) GDPR). The processing of personal data with/between several parties must be regulated by corresponding data processing agreements like a data processing agreement (Art. 28 GDPR) or a joint controller agreement (Art. 26 GDPR). This also applies for data processing between group companies and affiliates.

The transfer of personal data outside the EU/EEA must meet special requirements. There must either be an adequacy decision by the EU Commission for the country in which the recipient is located or additional guarantees in accordance with Art. 46 GDPR. This also applies for data transfers between group companies and affiliates. If data of European citizens will be stored on the servers in Hong Kong, appropriate guarantees (Art. 46 GDPR) must be in place.

Legal consequences of violations of the GDPR

Any person who has suffered material or non-material damage as a result of an infringement of this Regulation shall have the right to obtain compensation from the controller or processor for the damage suffered. The data subjects may therefore bring an action for damages before the civil courts. In May 2023, the European Court of Justice ruled that no materiality threshold is to be observed and thus also allows for "trivial cases".

In addition to legal action in the civil courts, administrative proceedings can also be brought before the supervisory authorities. These can either carry out an inspection of the company on their own initiative or because someone, e.g. a data subject, has issued a notification. Infringements of the following provisions might be subject to administrative fines up to €10,000,000, or in the case of an undertaking, up to 2 % of the total worldwide annual turnover of the preceding financial year, whichever is higher: (i) the obligations of the controller and the processor pursuant to Articles 8 (child's consent), 11 (processing which does not require identification), 25 to 39 (controller and processor; general obligations, security of personal data as data protection officer) and 42 (certification) and 43 (certification bodies); (ii) the obligations of the certification body pursuant to Articles 42 (certification) and 43 (certification bodies); (iii) the obligations of the monitoring body pursuant to Article 41(4). Infringements of the following provisions might be subject to administrative fines up to €20,000,000, or in the case of an undertaking, up to 4 % of the

total worldwide annual turnover of the preceding financial year, whichever is higher: (i) the basic principles for processing, including conditions for consent, pursuant to Articles 5 (principles relating of personal data), 6 (lawfulness of processing), 7 (condition for consent) and 9 (processing of special categories of personal data); (ii) the data subjects' rights pursuant to Articles 12 to 22 (e.g. information; right of access; right to rectification; right to erasure; right to restriction of processing; right to object); (iii) the transfers of personal data to a recipient in a third country or an international organisation pursuant to Articles 44 to 49; (iv) any obligations pursuant to Member State law adopted under Chapter IX of the GDPR; (v) non-compliance with an order or a temporary or definitive limitation on processing or the suspension of data flows by the supervisory authority pursuant to Article 58(2) or failure to provide access in violation of Article 58(1).

Each supervisory authority has the corrective powers to impose a temporary or definitive limitation including a ban on processing. In this case, the data processing that is not lawful in the opinion of the supervisory authority must be stopped accordingly. Depending on the circumstances, this can cause the entire operation of a company to come to a standstill. The supervisory authority may also publish fines and deliberations, which can damage the company's image and reputation.

Under French law, a risk of criminal sanctions is also incurred for non-compliance with the applicable regulation (Articles 226-16 to 226-24 of French Criminal Code). The maximum sanctions for natural persons responsible are five year's imprisonment and a fine of €300,000. For the legal entity, this is a fine equal to five times that provided for the natural person (Article 131-38 of the French Criminal Code), i.e., €1,500,000, and the additional penalties provided for in 2° to 5° and 7° to 9° of Article 131-39 of the Criminal code, namely: (i) prohibition, permanently or for a maximum of five years, from directly or indirectly exercising one or more professional or social activities; (ii) placement for a period of up to five years, under judicial supervision; (iii) permanent closure, or for a period of up to five years, of the establishments or of one or more of the establishments of the company that were used to commit the incriminated acts; (iv) permanent exclusion from public contracts or exclusion from public contracts for a maximum of five years; (v) prohibition, for a period of up to five years, to issue checks other than those allowing the withdrawal of funds by the drawer from the drawee or those that are certified or to use payment cards; (vi) penalty of confiscation (of movable or immovable property), under the conditions and in the manner provided for in article 131-21 of the French Criminal code; and, (vii) posting of the pronounced decision or its dissemination either by the written press or by any means of communication to the public by electronic means.

EU TRADE DEFENSE LAW

Below is an overview of the EU trade defense laws and regulations in Germany, Italy and France. It does not claim to provide a complete and comprehensive presentation of all relevant legal regulations.

Goods imported into the EU can become subject to anti-dumping and anti-subsidy measures. The EU's anti-dumping and anti-subsidies laws protect its domestic industries from imports that have a competitive advantage due to unfair trading practices. The jurisdiction to investigate and to impose measures lies with the European Commission and affects imports into all 27 member states of the European Union. General protective measures (safeguards) which do not address unfair trade practices are available to the European Commission, too, and are not addressed in the following.

An anti-dumping duty may be imposed on any dumped product whose release for free circulation in the EU causes injury to the EU industry. A product is to be considered as being dumped if its export price to the EU is less than a comparable price for a like product, in the ordinary course of trade, as established for the exporting country (Article 1 para. 1 and 2 Regulation (EU) 2016/1036 of the European Parliament and of the Council of 8 June 2016 on protection against dumped imports from countries not members of the EU). In the event that it is not appropriate to use domestic prices and costs in the exporting country due to the existence in that country of significant distortions, the normal value for the determination of dumping shall be constructed on the basis of costs of production and sale reflecting undistorted prices or benchmarks. The European Commission on 10 April 2024 published a report "on significant distortions in the economy of the People's Republic of China for the purposes of trade defense investigations" (European Commission staff working document SWD(2024) 91 final). The report examines the core features that give the Chinese economy its current shape and structure, covers various factors of production in a horizontal approach, and examines a number of sectors including steel, aluminum, chemicals, ceramics, telecommunications, semiconductors, railway equipment, environmental goods and new energy vehicles. The sectors were selected on the basis of a number of criteria, such as their frequent occurrence in the European Commission's trade defense investigation practice or for their particular economic or strategic importance.

The European Commission can impose a countervailing duty to offset any subsidy granted, directly or indirectly, for the manufacture, production, export or transport of any product whose release for free circulation in the EU causes injury to the EU industry. It does not matter whether these products are directly imported from the country of origin or are exported to the EU from an intermediate country (Article 1 Regulation (EU) 2016/1037 of the European Parliament and of the Council of 8 June 2016 on protection against subsidized imports from countries not members of the EU).

If the European Commission comes to the conclusion that products are dumped or subsidized it can decide on provisional measures — typically duties on imports of the product — and can furthermore make the measures definitive for a maximum of five years (subject to extension after a review procedure). The EU member states, represented in the trade defense committee, must be consulted by the European Commission and can block the adoption of the most important decisions by qualified majority. Measure adopted by the European Commission can be challenged before the European Court of Justice. However, the European Court of Justice accepts the very broad discretion granted to the European Commission in the anti-dumping and anti-subsidies regulations.

EU REGULATIONS ON TAXATION

In addition to the respective laws and regulations related to our business in Germany, Italy and France, our business in EU is subject to various legal regulations regarding taxation. Below is an overview of the EU regulations on taxation materially relevant to our business in Germany, Italy and France. It does not claim to provide a complete and comprehensive presentation of all relevant legal regulations.

Tariff

Within the EU's import customs clearance framework, all enterprises engaged in import and export activities within the EU are required to secure an Economic Operator Registration and Identification (the "**EORI**") number for the purpose of customs declaration. The declarant is responsible for the accuracy and completeness of the import declaration and to collaborate with customs authorities during the inspection of goods as needed. In compliance with the EU legislation, the declarant must be an entity with either a permanent establishment or a registered office situated within the customs territory of the EU. A permanent establishment is defined as a stable business location equipped with the requisite human and technical resources for an extended period, capable of conducting all or a portion of the operations related to customs. The main legal bases for collecting customs duties in the EU include the following legislative acts and their subsequent amendments:

- The Common Customs Tariff of the European Communities (Council Regulation (EEC) No 2658/87 of July 23, 1987, OJ L 284/2010) as supranational law;
- Regulation (EU) No 952/2013 laying down the Union Customs Code;
- Commission Delegated Regulation (EU) 2015/2446 supplementing Regulation (EU) No 952/2013 as regards detailed rules concerning certain provisions of the Union Customs Code;
- Regulation (EU) 2015/2447 laying down detailed rules for implementing certain provisions of Regulation (EU) No 952/2013

In scenarios where goods are imported to warehouses of the third-party e-commerce platforms or warehouse of third-party service providers, third-party service providers act as the declarant and facilitate the customs declaration process on behalf of the actual seller the goods. The customs value of goods is determined based on the procedural rules set forth in Regulation (EU) No 952/2013.

The EU customs authorities reserve the right to contest the customs valuation declared. Should the declarant contest this, they have the option to appeal. Typically, the customs authorities will request documentation such as invoices, packing lists and transaction contracts to substantiate the declared valuation. In cases of transactions between related parties, additional documentation such as intercompany agreements and transfer pricing reports may be required. In the event of non-compliance detected during an audit, the customs authorities are authorized to levy penalties. These fines may be predetermined sums or may correlate with the magnitude of the underpaid tariffs, contingent upon the specific details and context of the infraction.

Income Taxes

The liability of a company incorporated in Hong Kong for income tax on its sales profits in Germany, France, Spain and Italy is contingent upon the respective national regulations of these countries and the existence of double taxation treaties between these countries and Hong Kong.

Under the double taxation treaties between Hong Kong and France, Spain and Italy, a Hong Kong-based company is subject to taxation in these countries if it establishes a permanent establishment therein. Profits attributed to such a permanent establishment are taxable by the respective country. In the absence of a permanent establishment, these countries do not have the authority to tax the sales revenue of the Hong Kong company. For the purposes of these treaties, a permanent establishment is typically defined as a fixed place of business through which the business of an enterprise is wholly or partly carried on. E-commerce entities must be particularly vigilant about physical permanent establishments in Europe, which are characterized by:

- A tangible presence, without restrictions on size or scope, such as a section of a building, facility, or storage space;
- A relatively stable geographical location, which need not be affixed to land but must be situated in a specific locale;
- Operational continuity, which is determined by the nature of the business and should exclude transient activities, often requiring a presence of six months or longer;
- Control over the premises, with the right to utilise and manage the space for business activities;
- The necessity for the company's business operations to be conducted at the location;
- Exclusion of facilities used solely for storage, display, purchasing, or information gathering, which are of a preparatory or auxiliary character and do not directly contribute to profit generation.

According to relevant German national tax rules and regulations, if the business activities carried out in Germany simultaneously fulfill the following criteria, it may constitute a permanent establishment in Germany:

- maintain and use a fixed place in Germany;
- the trading and business activities of the corporation are carried out through the fixed place in (1) for a certain substantial period of time; and
- the corporation has at least some authority to dispose the fixed place.

Furthermore, according to German domestic laws and regulations, resident enterprises are required to pay corporate income tax on their worldwide income. A 'resident enterprise' is defined as a company or entity with either its legal registered office or place of effective management located in Germany. The term 'place of effective management' refers to the location where the highest level of management and control is exercised. Corporate income tax returns in Germany must be filed annually, typically by 31 May of the subsequent year. This deadline may be extended to 30 September, or further to the end of the year, if the return is prepared with the assistance of a qualified tax adviser.

VAT Taxes

Under the EU VAT system, when goods are imported from non-EU countries to EU member states, overseas sellers should pay local import VAT. The duty paid value of the goods imported into the EU should be the actual sales price of the goods, but if the goods have not been traded when they are imported into the EU member state, it should be the Cost, Insurance, Freight (CIF) price.

Prior to 1 July 2021, EU and non-EU sellers selling goods online to EU customers can ship goods into the EU directly to the customer, import VAT-free, if the goods are valued at €22 or below.

Since July 1, 2021, VAT is applicable on all goods imported into the EU, irrespective of their value. To streamline the VAT declaration and payment process for low-value goods imported from non-EU countries, the EU introduced the Import One Stop Shop (IOSS). Under the IOSS, suppliers can charge VAT at the point of sale for goods with an intrinsic value not exceeding EUR150 and remit it directly to the tax authorities, thereby exempting import VAT at the point of importation. Furthermore, after July 1, 2021, online marketplaces, such as third-party e-commerce platforms, may become the deemed supplier when they facilitate certain cross-border B2C transactions of their third-party sellers. Consequently, these platforms are responsible for collecting and remitting VAT on behalf of online sellers in these transactions.

Additionally, the entity operating an electronic interface such as a third-party e-commerce platform is considered the deemed supplier for transactions involving: 1) distance sales of imported goods from non-EU territories or countries in consignments of an intrinsic value not exceeding EUR150, frequently referred to as low value goods, and 2) the supply of goods within the EU by a non-EU established taxable person to a non-taxable person, encompassing both domestic supplies and intra-EU distance sales.

LAWS ON TRANSFER PRICING

When multinational enterprise groups conduct intercompany transactions involving assets, funds, services, tax authorities scrutinize the profit allocation within the group. These authorities commonly perceive such groups as attempting to reduce their overall tax liability through the pricing of related-party transactions. To avoid base erosion and profit shifting, nations have established regulations to monitor transfer pricing, ensuring the protection of their fiscal interests. The Organization for Economic Cooperation and Development (the "**OECD**") also released the Base Erosion and Profit Shifting (hereinafter referred to as "BEPS") Action Plan on October 5, 2015. Subsequently, countries have been enacting and refining transfer pricing legislation in accordance with the BEPS Action Plan to fortify their stance against base erosion and profit shifting. Notable transfer pricing regulations and frameworks include:

- OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations;

- 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》) and 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布特別納税調查調整及相互協商程序管理辦法的公告》) in Mainland China. See "Laws and Regulations Related to Our Business in the PRC — Transfer Pricing;"

- The Hong Kong Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the "**IRO**") codifies how the transfer pricing for the supply of goods and services between associated parties should be determined. The Departmental Interpretation and Practice Notes No. 58, 59 and 60 further, issued by the Inland Revenue Department in July 2019, set out interpretations to the IRO. The codified Hong Kong transfer pricing principles include, amongst others, the arm's length principle for provision between associated persons, the separate enterprises principle for attributing income or loss of non-Hong Kong resident person, and the three-tier transfer pricing documentation relating to the master file, local file and country-by-country reports. Based on the IRO, a person who has a Hong Kong tax advantage if taxed on the basis of a non-arm's length provision (the "Advantaged Person") will have income adjusted upwards or loss adjusted downwards. The advantaged person's income or loss is to be computed as if arm's length provision had been made or imposed instead of the actual provision (the amount of income or loss computed is referred to as the arm's length amount). If the Advantaged Person fails to prove to the satisfaction of the assessor of the IRD that the amount of the person's income or loss as stated in the person's tax return in an arm's length amount, the assessor of the IRD must estimate an amount as the arm's length amount and, taking into account the estimated amount (a) make an assessment or additional assessment on the person; or (b) issue a computation of loss, or revise a computation of loss resulting in a smaller amount of computed loss, in respect of that person pursuant to section 50AAF of the IRO.

- Section 482 of the US Code and Regulations in the U.S. See "Laws and Regulations Related to Our Business in the U.S. — Transfer Pricing;"

- Chapter 1 of the Foreign Tax Act in Germany. German transfer pricing rules are generally in line with OECD guidelines, which means that related parties must apply the so-called "arm's length principle" when engaging in cross-border transactions. Section 1 of the Foreign Tax Act indicates that if a taxpayer's income from international business relations with a related party is reduced as a result of the taxpayer's basing the income determination on terms, particularly prices (transfer prices), that diverge from those which independent third parties would have agreed under the same or comparable circumstances (arm's length principle), the taxpayer's income must, without prejudice to other provisions, be assessed to be as it would be under terms agreed between unrelated third parties.

- Sections 34D, 34E and 34F of the Income Tax Act ("ITA") of Singapore. With effect from the year of assessment 2019, Singapore taxpayers are required to prepare transfer pricing documentation ("TP Documentation") for their related party transactions undertaken in a basis period where: (a) its gross revenue derived from their trade or business is more than Singapore $10 million for that basis period; or (b) it was required to prepare TP Documentation for the basis period immediately before the basis period concerned. However, it should be noted that there is an exemption to prepare TP Documentation where the related party transactions fall within the ambit of Rule 4 of the Income Tax (Transfer Pricing Documentation) Rules 2018, which provides for certain stipulated scenarios in which a taxpayer is exempt from having to prepare TP Documentation for its related party transactions. Where a Singapore taxpayer (which is required to prepare TP Documentation) fails to satisfy its obligations under Section 34F of the ITA, it shall be liable on conviction to a fine not exceeding S$10,000. In addition, Section 34E introduces a surcharge on any transfer pricing adjustments made. Where the Comptroller has made a transfer pricing adjustment under Section 34D to increase the amount of

income, reduce the amount of deduction/allowance or reduce the amount of loss, a surcharge equal to 5% of the amount of increase in income or reduction in deduction, allowance or losses will be imposed.

The surcharge applies, whether or not any additional tax is payable arising from the adjustments (e.g., where unabsorbed tax losses, pioneer incentive exemption is available), and is payable within one month from the issuance of the notice of surcharge.

These regulations encompass various transfer pricing methods, such as:

(1) The comparable uncontrolled price method (the "CUP method"), which benchmarks the price in unrelated party transactions to determine the fair price for related-party transactions.

(2) The resale price method, which deduces the fair transaction price from the resale price to unrelated parties after subtracting the gross profit margin found in comparable transactions.

(3) The cost plus method, which adds an appropriate gross profit to the costs incurred in related-party transactions to establish a fair price.

(4) The profit split method, which apportions profits between related entities based on their respective contributions to the overall profit from the related-party transactions. This method is subdivided into the general profit split and the residual profit split approaches.

(5) The transactional net margin method (the "TNM method") or the comparable profit method, which employs profit level indicators from comparable transactions to ascertain the net profit margin for related-party transactions. The comparable profit method is utilized in US transfer pricing regulations, while the TNM method is recommended by the OECD Guidelines, with both methods sharing a fundamental similarity in approach.