REGULATIONS RELEVANT TO FOREIGN INVESTMENT AND OUR BUSINESS

Regulations on foreign investment

On March 15, 2019, the National People's Congress promulgated the 2019 PRC Foreign Investment Law, which became effective on January 1, 2020, and replaced the *Wholly Foreign-owned Enterprises Law* (《中華人民共和國外資企業法》), the *Sino-foreign Equity Joint Ventures Law* (《中華人民共和國中外合資經營企業法》), and the *Sino-foreign Cooperative Joint Ventures Law* (《中華人民共和國中外合作經營企業法》). On June 30, 2019, MOFCOM and the NDRC jointly promulgated the Negative List. To comply with the above foreign investment restrictions and to obtain necessary licenses and permits in industries that are currently subject to foreign investment restrictions in China, we operate in China through our variable interest entities. See "Risk Factors — Risks related to our corporate structure."

According to the 2019 PRC Foreign Investment Law, foreign investment shall enjoy "pre-entry national treatment," which generally means that at an investment-entrance stage, foreign investment should be treated no less favorably than domestic investment, except for foreign investments in industries deemed to be "restricted" or "prohibited" in the "negative list." The 2019 PRC Foreign Investment Law provides that foreign invested entities operating in "restricted" or "prohibited" industries will require entry clearance and other approvals. However, uncertainties still exist when it comes to interpreting or implementing the 2019 PRC Foreign Investment Law and its implementation rules. For example, the 2019 PRC Foreign Investment Law does not comment on the concept of "de facto control" or contractual arrangements with variable interest entities. It does, however, have a catch-all provision under the definition of "foreign investment," which includes investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. As such, there remains a leeway for future Laws to define contractual arrangements as a form of "foreign investment." Furthermore, the 2019 PRC Foreign Investment Law provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance for five years after the 2019 PRC Foreign Investment Law is implemented, which means that foreign invested enterprises may be required to adjust their structure and corporate governance after five years. See "Risk Factors — Risks related to our corporate structure."

On December 26, 2019, the State Council promulgated the *Implementation Rules to the Foreign Investment Law* (《中華人民共和國外商投資法實施條例》), which became effective on January 1, 2020, and repealed the *Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise* (《中外合資經營企業合營期限暫行規定》), the *Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the PRC* (《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 of the PRC* (《中華人民共和國中外合作經營企業法實施細則》). The implementation rules further clarified and elaborated on the relevant provisions of the 2019 PRC Foreign Investment Law. However, given that these implementation rules were only recently enacted, a number of uncertainties still exist in relation to the interpretation and implementation of the 2019 PRC Foreign Investment Law.

On December 30, 2019, the MOFCOM and the SAMR, jointly promulgated the *Measures for Information Reporting on Foreign Investment* (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the measures, where a foreign investor directly or indirectly carries out investment activities in China, the foreign investor or the foreign-invested enterprise must submit the investment information to the competent commerce department for further handling.

Regulations on telecommunication services

In September 2000, China's State Council promulgated the *Telecommunications Regulations of the PRC* (《中華人民共和國電信條例》) (the "**Telecom Regulations**"), which was revised in February 2016. The Telecom Regulations categorized all telecommunications businesses in China as either a "basic telecommunications business" or "value-added telecommunications business," ICP services, e-mail services, and other telecommunications businesses operated by us are classified as value-added telecommunications businesses. According to the Telecom Regulations, the commercial operator of these services must obtain an operating license. The Telecom Regulations also set out extensive guidelines with respect to different aspects of telecommunications operations in China.

On December 28, 2015, MIIT issued the *Telecommunication Services Classification Catalog* (2015 Edition) (《電信業務分類目錄(2015年版)》), which replaced the then-operative *Telecommunication Services Classification Catalog* (2003 Edition) (《電信業務分類目錄(2003年版)》).The 2015 Catalog took effect on March 1, 2016 and was amended on June 6, 2019. The Catalog divided the information services business into an additional five sub-categories and reclassified the online data processing and transaction processing services business from a "basic telecommunications business" to a "value-added telecommunications business." In 2017, MIIT issued the new version of the *Measures for the Administration of Telecom Business Licensing* (《電信業務經營許可管理辦法》) (the "**MIIT Measures 2017**)," which became effective on September 1, 2017. Similar to the 2009 version, the MIIT Measures 2017 require companies who are engaged in telecommunications businesses to have a Telecom Business License. However, the MIIT Measures 2017 removed the previous requirement to file trans-regional value-added telecommunications business permits.

In December 2001, in order to comply with China's commitments with respect to its entry into the WTO, the State Council promulgated the *Regulation for the Administration of Foreign-invested Telecommunications Enterprises* (《外商投資電信企業管理規定》) (the "**FITE Regulations**"), which was last revised in February 2016. The FITE Regulations set out detailed requirements with respect to capitalization, investor qualifications, and application procedures in connection with establishing a foreign invested telecom enterprise. Pursuant to the FITE Regulations, foreign investors may hold an aggregate of no more than 50% of the total equity in any value-added telecommunications business in China. The *Notice of the Ministry of Industry and Information Technology on Removing the Restrictions on Foreign Equity Ratios in Online Data Processing and Transaction Processing (Operating E-commerce) Business* (《工業和信息化部關於放開在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告》) issued by the MIIT in June 2015 set out an exception, under which, foreign investors may hold up to the entire equity interest in online data processing and transaction processing (operating e-commerce) businesses. However, the FITE Regulations do not define "online data processing and transaction processing (operating e-commerce) business," and its interpretation and enforcement involve significant uncertainties. In addition, the Negative List removes some of the previous restrictions on value-added telecommunications providers by allowing foreign investors to hold up to the entire equity interest in domestic multi-party communication, e-storage and forwarding and call center businesses in China. However, other requirements provided by the SAPPRFT and MIIT regulations still apply.

The *Circular of the MII on Intensifying the Administration of Foreign Investment in Value-Added Telecommunication Services* (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the "**2006 MII Circular**"), was promulgated by MII (later superseded by the MIIT) on July 13, 2006. The 2006 MII Circular provides that: (i) any domain name used by a valued-added telecommunications service provider must be legally owned by the service provider or its shareholder(s); (ii) any trademark used by a value-added telecommunications service provider must be legally owned by the service provider or its shareholder(s); (iii) the operation site and facilities of a value-added telecommunications service provider must be installed within the scope prescribed by the operating licenses obtained by the service provider and must correspond to the value-added telecommunications services that the service provider has been approved to provide; and (iv) a value-added telecommunications service provider must establish or improve the measures of ensuring information security. Companies that have obtained operating licenses for value-added telecommunications services are required to conduct self-examination and self-correction according to the requirements above and report their results to MII (later superseded by the MIIT).

Regulations on internet information services

The *Measures for the Administration of Internet Information Services* (《互聯網信息服務管理辦法》) (the "**ICP Measures**"), issued by the State Council went into effect on September 25, 2000 and was revised on January 8, 2011. Under the ICP Measures, any entity that provides information to internet users must obtain an operating license from the MII, (later superseded by the MIIT) or its local branch at the provincial level in accordance with the Regulations on Telecommunication Services described above.

The *Provisional Regulations for the Administration of Website Operation of News Publications* (《互聯網站從事登載新聞業務管理暫行規定》), which was jointly issued by the State Council Information Office of the PRC (the "**SCIO**"), and MII (later superseded by the MIIT) on November 6, 2000, stipulates that websites of non-news organizations shall not publish news items produced by themselves, and that their websites shall be approved by SCIO after securing permission from SCIO at the provincial level. On June 1, 2017, the latest *Provisions for the Administration of Internet News Information Services* (《互聯網新聞信息服務管理規定》), promulgated by the Cyberspace Administration of China (the "**CAC**"), came into effect, which superseded the previous regulations. According to the revised provisions, to provide internet-based news information services to the public via internet websites, applications, forums, blogs, micro-blogs, public accounts, instant communication tools and online live-stream, providers must obtain an Internet News Information Service License, issued by the CAC or a local cyberspace administration. In addition, the provisions prohibit organizations from establishing foreign, partially or wholly owned, entities that invest or operate internet-based news information services. The CAC and the local cyberspace administrative offices are responsible for the supervision, management and inspection of internet-based news information services.

In December 2016, the MOC (later superseded by the MOCT) issued the *Circular on the Administrative Measures for Business Activities Relating to Online Performance* (《文化部關於印發<網絡表演經營活動管理辦法>的通知》), pursuant to which an internet platform operator that provides online performance shall: (i) apply for a Network Culture Operation License with the relevant provincial-level authority; (ii) notify the MOC of any access or performance channels created for domestic performers within ten days; and (iii) submit an application to the MOC before creating any access or performance channels for foreign performers. On June 19, 2018, the MOCT issued the *National Cultural Market Blacklist*

Management Measures (《全國文化市場黑名單管理辦法》), which created a public 'blacklist' for companies that did not comply with the regulations on internet culture activities and imposed penalties and credit restrictions for non-compliance.

In addition, the SAPPRFT issued a *Notice on Strengthening the Management of Live-Streaming Service for the Network Audio-visual Programs* (《關於加強網絡視聽節目直播服務管理有關問題的通知》) in September 2016, pursuant to which an internet live-streaming service provider shall: (i) provide necessary censorship on the content of live-streams; (ii) establish a mechanism to timely identify unlawful content, prevent any unlawful content from being distributed and replace the content with backup programs; and (iii) record live-streaming programs and keep the records for at least 60 days. Shortly after this notice, in November 2016, the CAC promulgated the *Administrative Provisions on Internet Live-Streaming Services* (《互聯網直播服務管理規定》), pursuant to which an internet live-streaming service provider shall: (i) establish a live-streaming content review platform; (ii) require authentication for the registration of live-streaming content providers; and (iii) enter into a service agreement with live-streaming service users to specify each of the live-streaming service user's and the content provider's rights and obligations.

In November 2018, the CAC, together with the Ministry of Public Security, published the *Provisions on the Safety Assessment for Internet Information Services Capable of Creating Public Opinions or Social Mobilization* (《具有輿論屬性或社會動員能力的互聯網信息服務安全評估規定》). These provisions require certain internet information service providers to conduct safety assessment in relation to the: (i) the legal compliance status of their information services, new technologies and new applications; (ii) effectiveness of their implementation of safety measures as required by applicable laws and regulations; and (iii) effectiveness of their safety and risk control measures.

On June 27, 2002, the MII (later superseded by the MIIT) and the General Administration of Press and Publication (the "**GAPP**") jointly promulgated the *Provisional Measures for the Administration of Internet Publishing* (《互聯網出版管理暫行規定》), which was replaced by the *Rules for the Administration of Online Publishing Service* (《網絡出版服務管理規定》) jointly issued by SAPPRFT and MIIT that became effective on March 10, 2016. These rules require online publishers to secure approval from the SAPPRFT for their operations. The term "online publication service" refers to providing online publications to the public through information networks. The term "online publications" is defined as the digital works with publishing features such as editing, production or processing provided to the public through information networks (including contents from books, newspapers, periodicals, audio and video products, electronic publications that have already been formally published or works that have been made public in other media format, and the electronic public publications of literature, art and science). These rules also forbid foreign investment in the online publishing sector.

On July 8, 2004, State Food and Drug Administration of China issued the *Measures for the Administration of Internet Drug Information Services* (《互聯網藥品信息服務管理辦法》), which was amended in 2017. The measures stipulate that websites publishing drug-related information must obtain a license from local food and drug administrations.

Pursuant to the *Measures for the Administration of Internet E-mail Services* (《互聯網電子郵件服務管理辦法》) (the "**Internet E-mail Measures**"), which was issued by MII (later superseded by the MIIT) on February 20, 2006, e-mail service providers must obtain value-added telecommunications business operating licenses or file for recordation as non-profit internet service providers. In addition, each e-mail service provider must keep a record of the timing, sender's or recipient's e-mail address and IP address of each e-mail transmitted through its servers for 60 days. The Internet E-mail Measures also state that an internet e-mail service provider is obligated to keep confidential the users' personal registered information and internet e-mail addresses. An internet e-mail service provider and its employees may not illegally use any user's personal registered information or internet e-mail address, and may not, without consent of the user, divulge the user's personal registered information or internet e-mail address, unless otherwise prescribed by another Law.

The State Administration of Radio, Film and Television (the "**SARFT**") and MII (later superseded by the MIIT) jointly issued the *Regulations for the Administration of Internet Audiovisual Program Services* (《互聯網視聽節目服務管理規定》) (the "**Audiovisual Regulations**") on December 20, 2007, which was revised on August 28, 2015. The Audiovisual Regulations require that online audio and video service providers obtain a permit from SARFT in accordance with the Audiovisual Regulations.

On November 18, 2019, the CAC, the MOCT and the National Radio and Television Administration (the "**NRTA**") jointly issued the *Promulgation of the Administrative Provisions on Online Audio and Video Information Services* (《網絡音視頻信息服務管理規定》) (the "**Audio and Video Provisions**"), which took effect on January 1, 2020. The Audio and Video Provisions require that online audio and video information service providers: (i) acquire relevant qualifications required by law and regulations; (ii) adopt rules and policies in relation to, for example, user registration, information distribution and review, information security management, emergency disposal, educational training for employees, the protection of minors and intellectual property rights protection; (iii) verify personal information submitted by users as required under applicable laws; and (iv) undertake technical and other necessary measures to ensure network security and stable operations. Organizations and individuals are prohibited from utilizing online audio and video information services and the related information technology to carry out illegal activities that infringe upon the legitimate rights and interests of others. The Audio and Video Provisions further set out requirements for the creation, distribution and transmission of audio videos based on new technologies and applications such as deep learning and virtual reality, including requirements for safety evaluation, labeling requirements and mechanisms for refuting fake rumors.

On October 23, 2015, the MOC (later superseded by the MOCT) issued its *Notice on Further Strengthening and Improving the Management of Online Music Content* (《文化部關於進一步加強和改進網絡音樂內容管理工作的通知》). According to this notice, entities should examine and verify the content of online music by themselves, while the culture management administration should supervise compliance upon and following the content's publication.

On August 7, 2014, the CAC issued the *Interim Provisions on Managing the Development of Public Information Services on Instant Messaging Tools* (《即時通信工具公眾信息服務發展管理暫行規定》) (the "**Instant Messaging Interim Provision**s"), which stipulate that instant messaging tool service providers must enter into an agreement with their users during account registration to require them to abide by "Seven Principals," including, without limitation, compliance with applicable laws and social ethics.

On December 29, 2011, MIIT issued the *Several Provisions on Regulating the Market Order for Internet Information Services* (《規範互聯網信息服務市場秩序若干規定》) (the "**Market Order Provisions**"). According to the provisions, internet information service providers ("**IISP(s)**"), are prohibited from a wide range of activities that would infringe upon the rights and interests of users or other IISPs, including but not limited to, maliciously forcing incompatibility on services and products provided by other IISPs; deceiving, misleading or forcing users to use or not to use services and products provided by other IISPs; changing users' browser configurations or other configurations without notifying and obtaining permission from the users; and bundling their terminal software with other software without providing clear notice to users. In addition, IISPs are prohibited from collecting information that is related to users and can serve to identify users' identities solely or in conjunction with other information without the users' consent or providing other people with the information, unless otherwise permitted or required under Laws.

On April 17, 2015, the National Copyright Administration issued the *Circular on Regulating the Order of Internet Reproduction of Copyrighted Works* (《關於規範網絡轉載版權秩序的通知》) was issued. Under this circular, in order to reproduce the work of others, internet media must comply with relevant provisions of the copyright laws and regulations and, unless otherwise provided by law or regulation, must obtain permission from, and pay remuneration to, the owner of the copyrighted work, and must indicate the name of the author as well as the title and the source of the work, and may not infringe any other rights or interests of the copyright owner. Moreover, when reproducing the works of others, internet media must not make material alterations to the content of the work.

On June 28, 2016, the CAC published the first regulation of mobile applications in the PRC, the *Administrative Provisions on Information Services for Mobile Internet Applications* (《移動互聯網應用程序信息服務管理規定》) (the "**App Administrative Provisions**"). These provisions expressly require mobile application providers to obtain the relevant operation licenses and hold the mobile application providers strictly responsible for the implementation of information security management regarding the applications they distribute or operate. The App Administrative Provisions also require mobile application providers to: (i) verify the identity and contact information of their registered users; (ii) establish an appropriate mechanism to protect its users' personal data; (iii) develop an adequate censorship mechanism for any information published through their applications; (iv) protect their users' rights to be informed if their applications need to gain access to the users' personal details and refrain from accessing the functions unrelated to the relevant applications without the users' consent; (v) protect their users' intellectual property rights; and (vi) maintain internal records of users' activities for 60 days.

On December 15, 2019, the CAC issued the *Provisions on the Ecological Governance of Network Information Content* (《網絡信息內容生態治理規定》), which took effect on March 1, 2020. For the purpose of these provisions, the term "ecological governance of network information contents" refers to the relevant activities carried out by governments, enterprises, society, internet users and other parties to promote positive energy, and dispose of illegal and harmful information. According to these provisions, a network information content service platform has a duty to act as the information content administrator, to strengthen the ecological governance of the network information content on the platform and to promote the formation of positive cyber culture towards kindness. Network information content service platforms are required to set up the mechanism of ecological governance of the network information content, develop detailed rules for ecological governance of network information content on the

platform, and improve the systems for user registration, account management, information release and examination, post and comments examination, ecological page management, real-time inspection, emergency response, and disposal of cyber rumors and black industry chain information.

Regulations on information security and censorship

Regulations governing information security and censorship include:

- *The Law of the PRC on the Preservation of State Secrets* (《中華人民共和國保守國家秘密法》) (1988, revised in 2010) and its *Implementation Rules* (2014);
- *The Counter-espionage Law of the PRC* (《中華人民共和國反間諜法》) (2014);
- *The Rules of the PRC for Protecting the Security of Computer Information Systems* (《中華人民共和國計算機信息系統安全保護條例》) (1994, revised in 2011);
- *The Administrative Measures for Protection of the Security of International Internetworking of Computer Information Networks* (《計算機信息網絡國際聯網安全保護管理辦法》) (1997, revised in 2011);
- *Provisions for the Administration of Keeping Secrets in the International Internetworking of Computer Information Systems* (《計算機信息系統國際聯網保密管理規定》) (2000);
- *The Notice issued by the Ministry of Public Security of the PRC Regarding Issues Relating to the Implementation of the Administrative Measure for the Security Protection of International Connections to Computer Information Networks* (《中華人民共和國公安部關於執行<計算機信息網絡國際聯網安全保護管理辦法>中有關問題的通知》) (2000);
- *The Decision of the Standing Committee of the National People's Congress Regarding the Safeguarding of Internet Security* (《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》) (2000, revised in 2009);
- *The Provisions on the Technical Measures for the Protection of the Security of the Internet* (《互聯網安全保護技術措施規定》) (2006);
- *The Administrative Regulations for the Classified Protection of Information Security* (《信息安全等級保護管理辦法》) (2007);
- *The Decision of the Standing Committee of the National People's Congress on Strengthening Network Information Protection* (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) (2012);
- *Provisions on Protection of Personal Information of Telecommunication and Internet Users* (《電信和互聯網用戶個人信息保護規定》) (2013);
- *Internet User Account Name Management Regulations* (《互聯網用戶賬號名稱管理規定》) (2015);
- *Cyber Security Law of the PRC* (《中華人民共和國網絡安全法》, the "**Cyber Security Law**") (2017 Edition);

- *Provisions on the Cyber Protection of Children's Personal Information* (《兒童個人信息網絡保護規定》, the "**Children's Provisions**") (2019);

- *Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Illegal Use of Information Networks and Assistance in Criminal Activities Committed through Information Networks* (《最高人民法院最高人民檢察院關於辦理非法利用信息網絡、幫助信息網絡犯罪活動等刑事案件適用法律若干問題的解釋》, the "**Fa Shi No. 15**") (2019); and

- *Announcement of Launching Special Crackdown against Illegal Collection and Use of Personal Information by Apps* (《關於開展App違法違規收集使用公民個人信息專項治理的公告》) (2019); and

- *Measures for Cybersecurity Censorship* (《網絡安全審查辦法》) (2020).

Under various Laws, ICP operators and internet publishers are prohibited from posting or displaying any content that:

- opposes the fundamental principles set out in China's Constitution;

- compromises state security, divulges state secrets, subverts state power or damages national unity;

- harms the dignity or interests of the state;

- incites ethnic hatred or racial discrimination or damages inter-ethnic unity;

- sabotages China's religious policy or propagates heretical teachings or feudal superstitions;

- disseminates rumors, disturbs social order or disrupts social stability;

- propagates obscenity, pornography, gambling, violence, murder or fear or incites the commission of crimes;

- insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or

- includes other content prohibited by laws or administrative regulations.

Failure to comply with the content censorship requirements may result in the revocation of licenses and the closing down of the concerned websites or other online and mobile platforms. In addition, it is mandatory for internet companies in the PRC to complete security-filing procedures and regularly update information security and censorship systems for their websites and other online and mobile platforms with the local public security bureau. On June 22, 2007, the Ministry of Public Security, the State Secrecy Bureau, the State Cryptography Administration Bureau and the SCIO jointly issued the *Administrative Regulations for the Classified Protection of Information Security*, according to which websites should determine the protection classification of their information systems pursuant to a classification guideline and file their classification with the Ministry of Public Security or its bureaus at or above the municipal level with subordinate districts.

On December 28, 2012, the Standing Committee of the National People's Congress issued the *Decision on Strengthening Network Information Protection* (the "**Information Protection Decision**"), which provides that electronic information through which a citizen's identity can be identified or in which a citizen's privacy is involved ("**Personal Information**"), is protected and no person shall steal, illegally obtain, sell or illegally provide to others any Personal Information. Also, according to the Information Protection Decision, where a network service provider provides website access service, or handles network access formalities for fixed-line telephones or mobile phones, or provides information publication services to its users, it shall require users to provide authentic identity information when concluding agreements or confirming provisions of its service with the users.

On July 16, 2013, MII (later superseded by the MIIT) issued the *Provisions on Protection of Personal Information of Telecommunication and Internet Users*, which defines "Personal Information" as information that can identify the user either on its own or in combination with other information that is collected in the course of providing services by telecommunication business operators and internet information service providers, and sets out detailed provisions concerning the collection and utilization of Personal Information.

On February 4, 2015, the CAC issued the *Internet User Account Name Management Regulations*, which defines "Internet User Account Name" as an account name registered or used in internet information services, including without limitation, blogs, micro-blogs, instant communication tools, forums and thread comments. In addition, according to the regulations, internet information service providers must prohibit their users from using any illegal or harmful information in their account name, avatar, profile or other registration information.

On November 7, 2016, the Standing Committee of the National People's Congress promulgated the Cyber Security Law, which became effective on June 1, 2017. In accordance with the Cyber Security Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard network security in conducting business and providing services. Network service providers must take technical and other necessary measures as required by Laws to safeguard the operation of networks, respond to network security effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. In addition, network operators must not collect personal information irrelevant to their services. In the event of any unauthorized disclosure, damage or loss of collected personal information, network operators must take immediate remedial measures, notify the affected users and report the incidents to the relevant authorities in a timely manner.

On April 11, 2017, the CAC released the *Draft Measures on Security Assessment of the Cross-Border Transfer of Personal Information and Important Data* (《個人信息和重要數據出境安全評估辦法(徵求意見稿)》) (the "**Draft Cross-Border Transfer Measures**"), which require personal information and important data collected or produced by network operators during their operations in China to be stored within China. According to the Draft Cross-Border Transfer Measures, assessment by relevant regulatory authority or the national cyberspace authority under certain circumstances must be completed before transferring the data overseas. Furthermore, data may not be transferred overseas without consent from the concerned individual(s), or if the transfer endangers the interests of individuals or public security. The CAC completed the solicitation of comments on the Draft Cross-Border Transfer Measures in May 2017, but there remain substantial uncertainties with respect to its final content and enactment timetable.

The *Administrative Provisions on the Information Services Provided through Official Accounts of Internet Users* (《互聯網用戶公眾賬號信息服務管理規定》), the *Administrative Provisions on the Administration of Information Services Provided through Chat Groups on the Internet*

(《互聯網群組信息服務管理規定》), the *Administrative Provisions on Internet Follow-up Comment Services* (《互聯網跟帖評論服務管理規定》), and the *Administrative Provisions on Internet Forum and Community Services* (《互聯網論壇社區服務管理規定》) each requires that providers of the aforesaid services shall, under the principle of requiring "mandatory registration of legal name of users and encouraged voluntary use of real name as screen name," authenticate the identity of each of their registered users and take necessary measures to protect their users' personal identity.

On April 13, 2020, the CAC and several other government authorities jointly promulgated the *Measures for Cybersecurity Censorship* (the "**Censorship Measures**"), which will take effect on June 1, 2020. In accordance with the Censorship Measures, any purchase of network products and services by critical information infrastructure operators, which affects or may affect state security, shall be subject to cybersecurity censorship fields. Since the measures were recently promulgated, there exists uncertainties with respect to their interpretation and implementation.

As we expand our operations internationally, we may be also subject to privacy laws and data security laws of other jurisdictions in which we operate, including the *General Data Protection Regulation* (the "**GDPR**"). The GDPR applies directly in all European Union member states from May 25, 2018 and applies to companies with an establishment in the European Economic Area, or EEA, and to certain other companies not in the EEA that offer or provide goods or services to individuals located in the EEA or monitor individuals located in the EEA. The GDPR implements stringent operational requirements for controllers of personal data, including, for example, expanded disclosures on how personal information is to be used, limitations on retention of information and pseudonymized data, increased cyber security requirements, mandatory data breach notification requirements and higher standards for controllers to demonstrate that they have obtained a valid legal basis for certain data processing activities. Failure to comply with European Union laws, including failure under the GDPR and other laws relating to the security of personal data may result in fines up to €20,000,000 or up to 4% of the total worldwide annual turnover of the preceding financial year, if greater, and other administrative penalties including criminal liability.

Regulations on online games

Pursuant to the *Provisional Regulations for the Administration of Online Culture* (《互聯網文化管理暫行規定》) promulgated by the MOC (later superseded by the MOCT) in May 2003, and last revised in December 2017, online game operators are required to obtain an Internet Culture Operating License from relevant local departments of the MOC (later superseded by the MOCT). On May 14, 2019, the General Office of the MOCT issued the *Circular on Adjusting the Scope of Examination and Approval of Online Culture Business Permit and Further Regulating the Work Concerning Examination and Approval* 《關於調整<網絡文化經營許可證>審批範圍進一步規範審批工作的通知》(the "**MOCT Notice 81**"), pursuant to which, the MOCT is no longer responsible for the administration and supervision of online games and local counterparts of the MOCT may no longer approve Internet Culture Operating Licenses that involve online game operation via information networks (with or without distribution of virtual currency of online games) and virtual currency of online games trading operation via information networks. Internet Culture Operating Licenses that are already issued and only contain the above business scope will remain effective until their expiration. As of the Latest Practicable Date, no laws, regulations or official guidelines have been promulgated on whether the responsibility of MOCT for regulating online games will be undertaken by another governmental department.

On June 4, 2009, the MOC (later superseded by the MOCT) and MOFCOM jointly issued the *Notice on Strengthening Administration on Online Game Virtual Currency* (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the "**Online Game Virtual Currency Notice**"). According to this notice, online game virtual currency should only be used to exchange virtual services provided by the issuing enterprise for a designated extent and time, and is strictly prohibited from being used to purchase tangible products or any service or product of another enterprise. In addition, the Online Game Virtual Currency Notice requires the issuing enterprise to give users 60 days prior notice and refund in the form of legal tender or other forms acceptable to users in case it plans to terminate the provision of its products or services.

The publication of online games also requires approval from SAPPRFT in accordance with the Rules for the Administration of Online Publishing Service. In March 2018, the Central Committee of the Communist Party of China issued the *Plans for Deepening the Institutional Reform of the Party and State* (《深化黨和國家機構改革方案》) and the National People's Congress issued the *Institutional Reform Plan of the State Council* (《國務院機構改革方案》) (collectively, the "**Institutional Reform Plans**"). According to the Institutional Reform Plans, the SAPPRFT is reformed and became the NRTA (國家廣播電視總局) under the State Council and NPPA (國家新聞出版署(國家版權局)) under the Propaganda Department of the Central Committee of the Communist Party of China (中共中央宣傳部), and the MOC is reformed and became the MOCT (文化和旅遊部). Starting from March 2018, the SAPPRFT at the national level temporarily suspended its approval of online games, which was later resumed in December 2018. Since the first quarter of 2019, the National Press and Publication Administration (the "**NPPA**") has kept publishing the Online Game Approval Lists on its website.

In addition, in April 2007, GAPP and several other government authorities jointly promulgated the *Notice Concerning the Protection of Minors' Physical and Mental Well-being and Implementation of Anti-addiction System on Online Games* (《關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知》) (the "**Anti-Addiction Notice**"), which confirms the real-name verification scheme and anti-addiction system standard made by GAPP in previous years and requires online game operators to develop and test their anti-addiction systems from April 2007 to July 2007, after which no online games can be registered or operated without an anti-addiction system, in accordance with the Anti-Addiction Notice. On January 15, 2011, the MOC (later superseded by the MOCT) and several other government authorities jointly issued the *Notice on Implementation Program of Online Game Monitoring System of the Guardians of Minors* (《關於印發<"網絡遊戲未成年人家長監護工程"實施方案>的通知》) (the "**Monitoring System Notice**"), which requires online game operators to adopt certain measures to maintain an interactive system for the protection of minors. Through communication with online game operators, parents may monitor and restrict online game activities by minors, including restriction or suspension of playtime. On July 1, 2011, GAPP and several other government authorities jointly issued the *Notice Regarding the Initiation of Work on the Online Games Real-Name Verification System to Prevent Online Gaming Addiction* (《關於啟動網絡遊戲防沉迷實名驗證工作的通知》), which requires that online game operators be responsible for data registration and identification of online game users, and that online game operators shall duly submit user identification information for verification with the Ministry of Public Security's National Citizen Identity Information Center (the "**NCIIC**"), which will be in charge of real-name verification for the national anti-addiction system. In addition, online game operators must ensure that, via the NCIIC real-name verification, users with fraudulent identification data be enrolled in the operators' anti-addiction systems.

On July 25, 2014, the SAPPRFT issued the *Notice Regarding the Implementation of the Anti-Addiction and Real-Name Verification System in Online Games* (《國家新聞出版廣電總局辦公廳關於深入開展網絡遊戲防沉迷實名驗證工作的通知》), which requires online game

operators to submit their real-name verification procedure for online games when applying for publication of online games. On August 30, 2018, the *Implementation Scheme on Comprehensive Prevention and Control of Adolescent Myopia* (《綜合防控兒童青少年近視實施方案》) (the "**Implementation Scheme**") was issued jointly by eight PRC regulatory authorities at the national level, including the NPPA and the NRTA. The Implementation Scheme provides that as a part of the plan to prevent myopia among children, the NPPA will control the number of new online games, and take steps to restrict the amount of time children spend on playing online games. On October 25, 2019, the NPPA promulgated the *Notice on Preventing Minors from Indulging in Online Games* (《關於防止未成年人沉迷網絡遊戲的通知》), according to which the length of minors' use of online games should be strictly controlled. It requires all online game users to register their identification information. The total length of time for minors to access online games must be limited on a daily basis. Every day from 22:00 to 8:00 the next day, online game companies are not permitted to provide game services to minors in any form. Game services provided to minors must not exceed three hours per day on public holidays and 1.5 hours on other days. In addition, online transactions are capped monthly at RMB200 or RMB400, depending on a minor's age.

On September 7, 2009, the Office of the Central Institutional Organization Commission issued the *Notice on Interpretation of the Office of the Central Institutional Organization Commission on Several Provisions relating to Animation, Online Games and Comprehensive Law Enforcement in the Culture Market in the "Three Provisions" jointly promulgated by the MOC, the SARFT and the GAPP* (《關於印發<中央編辦對文化部、廣電總局、新聞出版總署<"三定"規定>中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋>的通知》) ("**Circular 35**"). According to this Circular 35, GAPP shall be responsible for the examination and approval of online games made available on the internet, and once an online game is available on the internet, it shall be solely and completely administrated by the MOC (later superseded by the MOCT). The circular further clarifies that the GAPP shall be responsible for the examination and approval of the game publications authorized by overseas copyright owners to be made available on the internet, and all other imported online games shall be examined and approved by the MOC (later superseded by the MOCT). However, according to the MOCT Notice 81, the MOCT shall no longer be responsible for administration and supervision of online games and the local counterparts of the MOCT shall no longer approve or issue online culture business permits that involve business scope such as online game operation via information network. As of the Latest Practicable Date, Circular 35 has not been repealed and is still effective. Given that the MOCT Notice 81 is relatively new and it is unclear how these three Provisions will be amended, we are unable to fully assess what impact, if any, these new requirements may have on our business.

On September 28, 2009, GAPP, the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications jointly published the *Notice Regarding the Consistent Implementation of the "Regulation on Three Provisions" of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Examination and Approval of Online Games and the Examination and Approval of Imported Online Games* (《關於貫徹落實國務院<"三定"規定>和中央編辦有關解釋,進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》) ("**Circular 13**"). According to Circular 13, no entity should engage in the operation of online games without receiving an Internet Publishing License and the approval from GAPP. Circular 13 expressly prohibits foreign investors from participating in online game operating business via wholly owned, equity joint venture or cooperative joint venture investments in China, and from controlling and participating in these businesses directly or indirectly through contractual or technical support arrangements. Moreover, for online games that have been approved by GAPP, when the operational entity changes, or when new versions, expansion packs or new content is implemented, the operating entity shall once again undertake the same procedures for examination and approval by GAPP of the changed operating entity, new versions,

expansion packs or new content. On May 24, 2016, SAPPRFT issued the *Circular on the Administration over Mobile Game Publishing Services* (《國家新聞出版廣電總局辦公廳關於移動遊戲出版服務管理的通知》) ("**Circular 44**"), which came into effect on July 1, 2016, and provides that no mobile game shall be published and operated online without the approval of the SAPPRFT.

The *Interim Measures for the Administration of Online Games* (《網絡遊戲管理暫行辦法》) (the "**Online Games Measures**") were issued by the MOC (later superseded by the MOCT) in June 2010 and repealed on July 10, 2019. The Online Games Measures set forth certain requirements regarding online games, including requirements that game operators follow certain registration procedures, publicize information about the content and suitability of their games, prevent access by minors to inappropriate games, avoid certain types of content in games targeted at minors, avoid game content that compels players to kill other players, manage virtual currency in certain ways and register users with their real identities. Accordingly, the *Notice on Implementing Interim Measures for the Administration of Online Games* (《關於貫徹實施<網絡遊戲管理暫行辦法>的通知》) (the "**Online Games Notice**"), in which several provisions of the Online Games Measures are supplemented, has also been repealed. In addition, since June 2018, the MOCT at the national level has closed the post-filing recording online system, through which the domestic online games were filed according to the post-filing requirements under the Online Games Measures and the Online Game Notice. As of the Latest Practicable Date, no government authority has issued or promulgated any provisions to replace the above-mentioned regulations.

On February 18, 1994, the State Council promulgated the *Rules of the PRC for Protecting the Security of Computer Information Systems*, and amended in 2011, which defines "Security Products for Computer Information Systems" as software and hardware products designed for the protection of computer information security and stipulates that a license must be obtained before selling Security Products for Computer Information Systems. The Ministry of Public Security issued the *Measures for the Administration of Security Products for Computer Information Systems Examination and Sales License* (《計算機信息系統安全專用產品檢測和銷售許可證管理辦法》) on December 12, 1997 confirming that a license for the sale of security products for computer information systems must be obtained as a precondition for sales of these products.

The *Regulations for the Administration of Audio and Video Products* (《音像製品管理條例》), which was released by the State Council on December 25, 2001 and last amended in February 2016, requires that the publication, production, duplication, importation, wholesale, retail and renting of audio and video products are subject to a license issued by competent authorities.

On June 19, 2018, the MOCT issued the *National Cultural Market Blacklist Management Measures*, according to which the cultural administrative department or the comprehensive law enforcement agency of the cultural market shall list the entities and persons in the cultural market that have seriously violated laws and have broken their trust in the national cultural market blacklist, and shall make it public, and adopt credit constraints and joint punishment.

The CAC issued the *Children's Provisions*, which took effect on October 1, 2019. According to the Children's Provisions, no organization or individual is allowed to produce, release or disseminate information that infringes upon the personal information security of children under 14. Network operators collecting, storing, using, transferring or disclosing children's personal information are required to enact special protections for this information.

Recently, there has been an increased focus on ensuring that mobile apps comply with privacy regulations. The *Announcement of Launching Special Crackdown Against Illegal Collection and Use of Personal Information by Apps* (《關於開展App違法違規收集使用個人信息專項治理的公告》) was issued with effect on January 23, 2019, and commenced a coordinated effort among the CAC, the MIIT, the Ministry of Public Security and the SAMR to combat the illegal collection and use of personal information by mobile apps throughout the PRC. On October 31, 2019, the MIIT issued the *Notice on the Special Rectification of Apps Infringing Users' Rights and Interests* (《工業和信息化部關於開展APP侵害用戶權益專項整治工作的通知》), pursuant to which app providers were required to promptly rectify issues the MIIT designated as infringing app users' rights such as collecting personal information in violation of PRC regulations and setting obstacles for user account deactivation.

On October 21, 2019, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Fa Shi No. 15, which became effective on November 1, 2019. The Fa Shi No. 15 interpreted several issues concerning the application of law in handling criminal cases such as refusing to fulfil the obligation of managing the security of information networks, illegally using information networks and assisting in criminal activities committed through information networks, in accordance with the Criminal Law of the PRC and the Criminal Procedure Law of the PRC.

Regulations on private education

The PRC Education Law (《中華人民共和國教育法》) (the "**Education Law**"), sets forth provisions relating to the fundamental education systems of the PRC, including a school system of pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education, establishes and operates schools and other types of educational institutions, and in principle, enterprises, institutions, social organizations and individuals are encouraged to operate schools and other types of educational organizations in accordance with PRC Laws.

On December 28, 2002, the Standing Committee of the National People's Congress, promulgated the *Law for Promoting Private Education* (《中華人民共和國民辦教育促進法》) (the "**Private Education Law**"), which was last amended on December 29, 2018. Under the amended Private Education Law, sponsors of private schools may choose to establish non-profit or for-profit private schools at their own discretion and the establishment of the private schools shall be subject to approvals granted by relevant government authorities and registered with relevant registration authorities.

On August 10, 2018, the Ministry of Justice, or MOJ, published the draft amendment to the *Regulations on the Implementation of the Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) (the "**MOJ Draft**"), for public comment. As of the Latest Practicable Date, the MOJ Draft is still pending for final approval and is not in effect. The MOJ Draft stipulates that private schools using internet technology to provide online diploma-awarding educational courses shall obtain the private school operating permit of similar academic education at the same level, as well as the internet operating permit. Institutions that use internet technology to provide training and educational activities, vocational qualification and vocational skills training, or providing an internet technology service platform for the above activities, would need to obtain the corresponding internet operating permit and file with the administrative department for education or the department of human resources and social security at the provincial level where the institution is domiciled, and these institutions shall not provide educational and teaching activities that

requires the private school operating permit. The internet technology service platform that provides the training and educational activities shall review and register the identity information of institutions or individuals applying for access to the platform.

The MOJ Draft further stipulates that the establishment of private training and educational organizations enrolling students of kindergarten, primary school, middle and high school age and providing activities relating to cultural and educational courses at school, or examination-related and further education-related tutoring and other cultural and educational activities, shall obtain a private school operating permit from the administrative departments for education at or above the county level. The establishment of private training and educational organizations that provide activities aiming at quality promotion, personality development in the areas of linguistic competence, arts, physical activities, technology, and activities targeting at cultural education for adults and non-degree continuing education, can apply to register as the legal person directly; however, such private training and/or educational organizations shall not carry out the cultural and educational activities mentioned above, which requires a private school operating permit. In addition, entities implementing group-based education shall not control non-profit schools by merger, acquisition, franchise or contractual arrangements.

Uncertainties exist with respect to the interpretation and application of the existing and future Laws governing the online private education industry, as well as when and how the MOJ Draft would come into effect and how the local government would promulgate implementing rules relating to the specific requirements applicable to online education service providers.

Regulations on after-school tutoring and educational apps

On February 13, 2018, the Ministry of Education, or the MOE, the Ministry of Civil Affairs, the Ministry of Human Resources and Social Security and the SAIC (currently known as the SAMR) jointly promulgated the *Circular on Alleviating After-school Burden on Elementary and Secondary School Students and Implementing Inspections on After-school Training Institutions* (《關於切實減輕中小學生課外負擔開展校外培訓機構專項治理行動的通知》) ("**Circular 3**"). Pursuant to Circular 3, the above government authorities will carry out a series of inspections on after-school training institutions and order those with material potential safety risks to suspend business for self-inspection and rectification, and those without proper establishment licenses or school operating permits to apply for relevant qualifications and certificates under the guidance of competent government authorities. Moreover, after-school training institutions must file with the local education authorities and make public the classes, courses, target students, class hours and other information relating to their academic training courses (including primarily courses on Chinese and mathematics). After-school training institutions are prohibited from providing academic training services beyond the scope or above the level of school textbooks, or organizing any academic competitions or level tests for students of elementary or middle schools. In addition, elementary or middle schools may not reference a student's performance in the after-school training institutions as part of their admission criteria.

On August 6, 2018, the State Council issued the *Opinion on the Regulation of the Development of After-school Training Institutions* (《國務院辦公廳關於規範校外培訓機構發展的意見》) ("**State Council Circular 80**"), which primarily regulates after-school training institutions targeting K-12 students. State Council Circular 80 reiterates prior guidance that after-school training institutions must obtain a private school operating permit, and further requires these institutions to meet certain minimum requirements. According to the circular, after-school training institutions are required to disclose and file relevant information regarding the institution, including their training content, schedule, targeted students and school timetable to the relevant education authority, and their training classes may not end later than 8:30 p.m.

each day or otherwise conflict with the teaching time of local primary and secondary schools. In relation to online education service providers, State Council Circular 80 generally provides that regulatory authorities of networking, culture, information technology, radio and television industries shall cooperate with the education department in supervising online education within their relevant industry.

On November 20, 2018, the General Office of the MOE, the General Office of the SAMR and the General Office of the Ministry of Emergency Management of the PRC jointly issued the *Notice on Improving the Specific Governance and Rectification Mechanisms of After-school Education Institutions* (《關於健全校外培訓機構專項治理整改若干工作機制的通知》) ("**Circular 10**"), which provides that provincial education departments shall be responsible for the filing of training institutions that uses internet technology to provide online training for primary and middle school students. Provincial education departments shall regulate the online after-school training institutions based on the management policies governing offline after-school training institutions. In addition, online after-school education institutions shall file the information of their courses, such as names, contents, target students, syllabi and schedules with the provincial education departments and shall publish the name, photo, class schedule and certificate number of the teacher qualification license of each teacher on their websites.

On December 25, 2018, the General Office of the MOE issued the *Notice on Strictly Forbidding Harmful APP Entering Primary and Secondary Schools* (《關於嚴禁有害APP進入中小學校園的通知》), which stipulates, among other things, that: (i) local primary schools, secondary schools and education departments, shall conduct comprehensive investigation on apps used on campus, and shall call off using any apps that contain harmful content such as commercial advertisements and internet games, or increase the burden on students; and (ii) the filing and reviewing system of learning apps shall be established.

The Central Committee of the Communist Party and the State Council jointly issued the *Opinions on the Further Reform of Education and Teaching and Comprehensive Improvement on the Compulsory Education Quality* (《關於深化教育教學改革全面提高義務教育質量的意見》) (the "**Opinions**"), which became effective on June 23, 2019. The Opinions stipulates, among other things, that: (i) the State Administration for Market Regulation and its local counterparts shall be responsible for the registrations and filings of all after-school training institutions and shall supervise and govern their operational behaviors, such as advertising, fee collecting, and antitrust competitions; and (ii) the integrated application of information technology and education shall be promoted, and the "education plus internet" operation model shall be encouraged, but in the meantime, the approval and supervision system for digital educational resource applied by schools shall be established.

Moreover, the MOE, jointly with certain other PRC government authorities, issued the *Opinions on Guiding and Regulating the Orderly and Healthy Development of Educational Mobile Apps* (《關於引導規範教育移動互聯網應用有序健康發展的意見》) on August 10, 2019 (the "**Opinions on Educational Apps**"), which requires, among others, mobile apps that provide services for school teaching and management, student learning and student life, or home-school interactions, with school faculty, students or parents as the main users, and with education or learning as the main application scenarios (the "**Educational Apps**"), be filed with competent provincial regulatory authorities for education before the end of 2019. The Opinions on Educational Apps also requires, among others, that: (i) before filing, the Educational App's provider obtain the ICP license or complete the ICP filing and obtain the certificate and the grade evaluation report for graded protection of cybersecurity; (ii) Educational Apps whose main users are under the age of 18 must limit the use time, specify the range of suitable ages, and have strictly monitored content; (iii) before an Educational App is introduced as a mandatory app to students, the Educational App must be approved by the

applicable school through its collective decision-making process and be filed with the competent education authority; and (iv) Educational Apps adopted by education authorities and schools as their uniformly used teaching or management tools shall not charge the students or parents any fee, and not offer any commercial advertisements or games. On November 11, 2019, MOE issued the *Administrative Measures on Filing of Educational Mobile Apps* (《教育移動互聯網應用程序備案管理辦法》), which requires, among other things, that filings of existing Educational Apps be completed before January 31, 2020.

On September 19, 2019, the MOE, jointly with certain other PRC government authorities, issued the *Guidance Opinions on Promoting the Healthy Development of Online Education* (《關於促進在線教育健康發展的指導意見》), which provides, among other things, that: (i) social forces are encouraged to establish online education institutions, develop online education resources, and provide high quality education services; and (ii) an online education negative list shall be promulgated and industries not included in the negative list are open for all types of entities to enter into.

The MOE, jointly with certain other PRC government authorities, promulgated the *Implementation Opinions on Regulating Online After-School Training* (《關於規範校外線上培訓的實施意見》) (the "**Online After-School Training Opinions**"), effective on July 12, 2019. The Online After-School Training Opinions are intended to regulate academic after-school training involving internet technology provided to students in primary and secondary schools. Among other things, the Online After-School Training Opinions requires that online after-school training institutions file with the competent provincial education regulatory authorities before October 31, 2019 and that the education regulatory authorities shall, jointly with other provincial government authorities, review the filings and the qualifications of the online after-school training institutions submitting these filings.

With respect to the filing requirements, the Online After-School Training Opinions provides, among other things: (i) an online after-school training institution shall file with the competent provincial education regulatory authorities at the place of its domicile after it has obtained the ICP license and the certificate and the grade evaluation report for the graded protection of cyber security, and furthermore, shall file before October 31, 2019 if it has already conducted online after-school training; (ii) the online after-school training institutions shall file, among other things, (x) materials related to the institution itself, including information on their respective ICP licenses and other relevant licenses and the materials related to certain management systems regarding the protection of personal information and cyber security, (y) materials related to the training content, and (z) materials related to the training personnel; and (iii) the competent provincial education regulatory authorities shall promulgate local implementing rules on the filing requirements, focusing on training institutions, training content and training personnel. The Online After-School Training Opinions further provides that the competent provincial education regulatory authorities shall, jointly with other provincial government authorities, review the filings and the qualification of the online after-school training institutions submitting the filings before the end of December 2019.

Regulations on e-commerce

The *E-Commerce Law of the PRC* (《中華人民共和國電子商務法》), which was promulgated on August 31, 2018 and became effective on January 1, 2019, set out detailed obligations for operators of e-commerce businesses and e-commerce platforms and guidelines in terms of contract performance and dispute resolutions in relation to e-commerce. Pursuant to this law, e-commerce operators shall, for example: (i) present unbiased search results and general product recommendations that are not based on a potential customer's particular purchase history and personal profile in addition to tailored product recommendations and services; and

(ii) not cite any provision of a form contract or any other means to invalidate an agreement with a customer after it has received payment from that customer. In addition, e-commerce platform operators shall: (i) report information such as identity and tax information of third-party vendors to relevant authorities; (ii) make platform service agreement or web-links thereto prominently displayed and accessible on its homepage; (iii) be jointly liable in the event that the platform operator fails to take necessary measures when it has or should have the knowledge that any vendor using its platform has infringed consumers' rights; and (iv) be jointly liable for any damage or threat to a customer's personal health and wellbeing caused by the products sold on its platform if a platform operator fails to examine the qualifications of its vendor using its platform or fails to protect its customers' safety in respect of goods or services that may affect a customer's health. We are subject to this new law as both an e-commerce business operator and e-commerce platform operator. Failure to comply with this law could subject us to civil liabilities or administrative penalties.

The *PRC Consumer Protection Law* (《中華人民共和國消費者權益保護法》), as amended on October 25, 2013, sets out the obligations of business operators and the rights and interests of consumers. Pursuant to this law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage and term of the validity of commodities. The amendment in 2013 further strengthens the protection of consumers and imposes more stringent requirements and obligations on business operators, especially on the businesses operating through the internet. For example, consumers are entitled to return the goods (except for certain specified goods) within seven days upon receipt without any reasons when they purchase the goods from business operators via the internet. When a consumer purchases products (including cosmetics and food) or accepts services via an online trading platform and his/her interests are prejudiced, if the online trading platform provider fails to provide the name, address and valid contact information of the seller, the manufacturer or the service provider, the consumer is entitled to demand compensation from the online trading platform provider. Failure to comply with this law may subject business operators to civil liabilities such as refunding purchase prices, replacement of commodities, repairing or ceasing damages, compensation, and restoring the reputation, and could subject business operators or the responsible individuals to criminal penalties when personal damages are involved or if the circumstances are severe.

On January 26, 2014, SAIC issued the *Administrative Measures for Online Trading* (《網絡交易管理辦法》) (the "**Online Trading Measures**"), which replaced its previous *Interim Measures for the Administration of Online Commodities Transaction and Relevant Services* (《網絡商品交易及有關服務行為管理暫行辦法》). The Online Trading Measures aim to regulate online commodity trading and relevant services, setting standards for online commodity trading operators and relevant services providers, including third-party trading platform operators, concerning qualifications, after-sale services, terms of use, user privacy protection, data preservation, compliance with applicable laws in respect of intellectual property rights protection and unfair competition. On January 5, 2015, SAIC issued the *Measures for the Punishment of Conduct Infringing the Rights and Interests of Consumers* (《侵害消費者權益行為處罰辦法》) (the "**Consumer Conduct Measures**"), which became effective on March 15, 2015. According to these measures, business operators are prohibited from a wide range of activities that would infringe upon the rights and interests of consumers, including but not limited to collecting and using information related to consumers without their consent, illegally providing third parties with this information in any form, or sending promotional message to consumers despite their express refusal. On September 2, 2015, SAIC issued the *Interim Provisions on the Administration of Centralized Online Promotional Activities for Goods and Services* (《網絡商品和服務集中促銷活動管理暫行規定》), which requires the organizer of centralized online promotion activities to publish the methods, terms

and rules of the activities in advance in an obvious place on its website. On January 6, 2017, SAIC issued the *Interim Measures for Return of Online Purchases within seven Days without Reason* (《網絡購買商品七日無理由退貨暫行辦法》) (the "**Online Return Measures**"), which became effective on March 15, 2017. According to these measures, any consumer goods purchased online could be returned without any reason, if in good condition and are returned within seven days of receipt with signature from the consumers, except for customized products, fresh or live products, perishable goods, digital products, newspapers, periodicals and the goods confirmed to be exempted from the Online Return Measures by consumers at the time of purchase. On November 21, 2019, the SAMR issued the *Interim Provisions on Administration of Consumer Product Recalls* (《消費品召回管理暫行規定》), which became effective on January 1, 2020. The provisions clarify the recall obligations and responsibilities of both the producers of consumer goods and the operators selling, leasing, or repairing consumer goods. Defects are defined in the provisions as unreasonable danger found commonly in the same batch, model number or type of consumer goods due to design, manufacturing, or labeling etc., which compromises personal safety and property safety. According to the provisions, manufacturers are accountable for the safety of consumer goods manufactured by them, and, where there are defects, the manufacturer must recall the goods.

The *Food Safety Law of the PRC* (《中華人民共和國食品安全法》), promulgated on February 28, 2009 and effective on June 1, 2009, was amended on December 29, 2018 with effect from the same date. This amendment sets out a new and stricter regulation framework for the production and circulation of food. On October 11, 2019, the State Council revised and adopted the *Implementing Regulation for the Food Safety Law of the PRC* (《中華人民共和國食品安全法實施條例》), which became effective on December 1, 2019. The regulation underscores tougher supervision, requiring governments above county levels to establish a uniform and authoritative supervision mechanism to enhance supervisory capabilities. The regulation clarifies the primary responsibilities of producers and business operators in food safety, specifies the duties of major corporate leaders, regulates the storage and transportation of food products, bans false promotion of food products, and improves the management of special foods. Under the regulation, legal persons, persons in charge, managers who are directly in charge and individuals who are directly responsible will be fined if the entity they worked for was found to be intentionally committing an illegal act. However, it currently remains unclear if food distributed through the recently established cross-border e-commerce industry is required to comply with all the requirements set forth in the new *Food Safety Law of the PRC* and its implementing regulation.

Regulations on online advertising

According to the *Regulations for the Administration of Advertising* (《廣告管理條例》) promulgated by the State Council, which took effect on December 1, 1987, websites engaged in advertising must apply for a business license to conduct such business.

On February 9, 2012, SAIC and several other government authorities jointly issued the *Rules on Review of Advertisement Release by Public Media* (《大眾傳播媒介廣告發佈審查規定》), which, among other things, states that public media (including internet information service providers) shall have advertisement reviewers, who must participate in and pass trainings in relation to advertisement laws, regulations and business, after which, the reviewers should perform tasks including reviewing advertisements to be released and managing advertisement review archives.

On April 24, 2015, the Standing Committee of the National People's Congress enacted the *Advertising Law of the PRC* (《中華人民共和國廣告法》) (the "**New Advertising Law**"), and amended on October 26, 2018. The New Advertising Law, which was a major overhaul of an

advertising law enacted in 1994, increases the potential legal liability of advertising services providers, and includes provisions intended to strengthen identification of false advertising and the power of regulatory authorities. The New Advertising Law forbids the usage of certain words or phrases in advertisements, such as "national," "supreme," or "best" and provides a more detailed definition of "false advertisement." The New Advertising Law also forbids sending advertisements to residences, vehicles, fixed or mobile telephones or personal email addresses if the advertisement is not invited or the receiver of the advertisement has rejected the advertising.

On July 4, 2016, SAIC promulgated the *Provisional Measures of Internet Advertising Management* (《互聯網廣告管理暫行辦法》), which took effect on September 1, 2016. According to these measures: (i) an internet advertisement should be identifiable and clearly labeled as "advertisement"; (ii) paid search advertisements should be clearly distinguished from natural search results; (iii) advertisements published in the form of pop-up or other forms should be clearly marked with a "Close" sign to ensure "Single Click to Close"; and (iv) no entity or individual may induce users to click on the contents of an advertisement through deception, or attach advertisements in any form to an e-mail without user's permission.

Regulations on internet live streaming services

On November 4, 2016, the CAC issued *Administrative Provisions on Internet Live-Streaming Services*, which became effective on December 1, 2016. Under the regulation, "internet live streaming" refers to the activities of continuously releasing real-time information to the public based on the internet in forms such as video, audio, images and texts, and "internet live-streaming service providers" refers to the operators that provide internet live-streaming platform services. In addition, the internet live-streaming service providers shall take various measures when operating its services, such as examining and verifying the authenticity of the identification information and file this information for record.

On July 12, 2017, the CAC issued a *Notice on Development of the Filing Work for Enterprises Providing Internet Live Streaming Services* (《關於開展互聯網直播服務企業備案工作的通知》), which provides that all the companies providing internet live streaming services shall file with the local authority from July 15, 2017, otherwise the CAC or its local counterparts may impose administrative sanctions on such companies.

Pursuant to the *Circular on Tightening the Administration of Internet Live Streaming Services* (《關於加強網絡直播服務管理工作的通知》) jointly issued by the MIIT, the MOCT, and several other government agencies on August 1, 2018, live streaming services providers are required to file with the local public security authority within 30 days after it commences the service online.

Regulations on online music

On November 20, 2006, the Ministry of Culture issued the *Several Opinions of the Ministry of Culture on the Development and Administration of Online Music* (《文化部關於網絡音樂發展和管理的若干意見》), which became effective on the same date. The opinions provide that, among other things, an internet music service provider must obtain an Online Culture Operating Permit.

In 2010 and 2011, the MOC greatly intensified its regulations on online music products by issuing a series of circulars regarding online music industry, such as the *Circular on Regulating the Market Order of Online Music Products and Renovating Illegal Conducts of Online Music Websites* (《文化部文化市場司關於規範網絡音樂市場秩序整治網絡音樂網站違規行為的通

告》) and the *Circular on Investigating Illegal Online Music Websites* (《文化部辦公廳關於查處違法網絡音樂網站的通知》) in 2010. In addition, the Ministry of Culture issued the *Circular on Clearing Illegal Online Music Products* (《文化部辦公廳關於清理違規網絡音樂產品的通告》) in 2011, which clarified that entities engaging in any of the following conducts will be subject to relevant penalties or sanctions imposed by the Ministry of Culture: (i) providing online music products or relevant services without obtaining corresponding qualifications; (ii) importing online music products that have not been reviewed by the Ministry of Culture; or (iii) providing domestically developed online music products that have not been filed with the Ministry of Culture.

On July 8, 2015, the National Copyright Administration issued the *Circular regarding Ceasing Transmitting Unauthorized Music Products by Online Music Service Providers* (《國家版權局關於責令網絡音樂服務商停止未經授權傳播音樂作品的通知》), which requires that: (i) all unauthorized music products on the platforms of online music services providers be removed prior to July 31, 2015, and (ii) the National Copyright Administration investigate and punish online music services providers who continue to transmit unauthorized music products following July 31, 2015. On October 23, 2015, the Ministry of Culture promulgated the *Circular on Further Strengthening and Improving the Content Administration of Online Music* (《文化部關於進一步加強和改進網絡音樂內容管理工作的通知》), effective as of January 1, 2016, which provides that internet culture operating entities shall report through a nationwide administrative platform: (i) its content administration system, department, staffing, job responsibilities, monitoring process and specifications *etc.*, to its local provincial cultural administrative department; and (ii) the details of its self-monitoring activities to the Ministry of Culture on a quarterly basis.

Regulations on payment and finance services

On May 4, 2008, the China Banking Regulatory Commission (the "**CBRC**," and later superseded by the China Banking and Insurance Regulatory Commission (the "**CBIRC**") and the People's Bank of China (the "**PBOC**") jointly issued the *Guiding Opinions of China Banking Regulatory Commission and the People's Bank of China on the Pilot Operation of Small Loan Companies* (《中國銀行業監督管理委員會、中國人民銀行關於小額貸款公司試點的指導意見》) (the "**Guiding Opinions**"). According to the Guiding Opinions, to apply for setting up a small loan company, the applicant is required to file a formal official application with the competent department of the provincial government, and, upon approval, it shall apply to the local administrative department for industry and commerce for handling the registration formalities and to receive the business license. It is also required to file the relevant materials with the local public security bureau, the dispatch office of the CBRC (later superseded by the CBIRC) and the branch institution of the PBOC within five working days after approval. The major sources of funds of a small loan company shall be the capital paid by shareholders, donated capital and the capital borrowed from a maximum of two banking financial institutions. The balance of the capital borrowed from banking financial institutions shall not exceed 50% of the net capital within the scope as prescribed by the Laws. Furthermore, the balance of loans granted by a small loan company to a single borrower shall not exceed 5% of the net capital of the company.

In addition, on June 14, 2010, the PBOC issued the *Measures for the Administration of Non-financial Institutions Engaging in Payment and Settlement Services* (《非金融機構支付服務管理辦法》) (the "**PBOC Measures**"), which became effective on September 1, 2010. The PBOC Measures requires that non-financial institutions engaging in the business of effecting payments and settlements before September 1, 2010 obtain a permit, the Payment Service Permit, from the PBOC by August 31, 2011 to continue operating their business. On December 1, 2010, the PBOC issued the *Implementation Rules for the Measures for the Administration*

of Non-financial Institutions Engaging in Payment and Settlement Services (《非金融機構支付服務管理辦法實施細則》), which further elaborates on the application qualification, material and procedure for the Payment Service Permit and further measures aiming at protecting the rights and interests of clients, including prominent disclosure of service rates, prior notice to clients before any modification can be made to the service rates or payment service agreement between a payment service provider and its clients. On December 28, 2015, the PBOC issued the *Administrative Measures for Internet Payment Services of Non-banking Payment Institutions* (《非銀行支付機構網絡支付業務管理辦法》), which became effective on July 1, 2016, and requires that non-banking payment institutions implement the real-name verification system for payment accounts and take effective measures to verify the personal information of clients. The measures also require that if non-banking payment institutions engage in transferring money between payment accounts and bank accounts, all of these accounts shall be owned by the same client. On January 13, 2017, the PBOC issued the *Notice of the PBOC on Matters concerning Implementing the Centralized Deposit of the Funds of Pending Payments of Clients of Payment Institutions* (《中國人民銀行辦公廳關於實施支付機構客戶備付金集中存管有關事項的通知》), which requires that, from April 17, 2017, a payment institution shall deposit a certain percentage of the funds from its clients, pending payment from such clients, in a special deposit account with a designated financial institution where no interest on the percentage of funds shall accrue.

On June 7, 2013, the PBOC issued the *Measures for the Custody of Clients' Reserves of Payment Institutions* (《支付機構客戶備付金存管辦法》), which defines "Clients' Reserves" as funds actually received by payment institutions when processing payments for clients and payable upon clients' order, and requires payment institutions to fully deposit the Clients' Reserves into a dedicated deposit account held in the custody of banking institutions. On June 29, 2018, the PBOC issued a further notice that required payment institutions to cause up to 100% of the customer reserve funds to be transferred to this account.

On July 18, 2015, PBOC, MIIT, Ministry of Public Security, MOF, SAIC, Legislative Affairs Office of the State Council, CBRC (later superseded by the CBIRC), the CSRC, China Insurance Regulatory Commission and the CAC jointly issued the *Guiding Opinions on Promoting the Healthy Development of Internet Finance* (《關於促進互聯網金融健康發展的指導意見》), which was imperative in encouraging innovation, and support the steady development of internet finance. According to the above-mentioned Guiding Opinions, internet enterprises would be supported to set up internet payment institutions, online lending platforms, equity crowd-funding platforms and online financial product sales platforms in compliance with the law, and a multi-level financial services system that serves the real economy would be established to better meet the investment and financing needs of medium, small and micro-sized enterprises and individuals, and further expand the breadth, and increase the depth, of inclusive finance. According to the above-mentioned Guiding Opinions, e-commerce enterprises would be encouraged to build and improve their own online financial services systems under the premise of compliance with financial laws and regulations, and effectively expand the supply chain operations of e-commerce enterprises.

Regulations on intellectual property rights

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

Patent

According to the *Patent Law of the PRC* (Revised in 2008) (《中華人民共和國專利法》(2008年修訂)) promulgated by the Standing Committee of the National People's Congress, and its *Implementation Rules* (Revised in 2010) (《中華人民共和國專利法實施細則》(2010年修訂)) promulgated by the State Council, the State Intellectual Property Office of the PRC is responsible for administering patent affairs in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patent affairs within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, "invention," "utility model," and "design." Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, commencing from the date of application. The Chinese patent system adopts a "first to file rule," which means that where more than one person files the patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability.

Trademark

According to 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, and recently amended in April 2019, and its *Implementation Regulations* promulgated in August 2002 and amended in April 2014 by the State Council, the period of validity for a registered trademark is ten years, commencing from the date of registration. The registrant must go through the formalities for renewal within twelve months prior to the expiry date of the trademark if continued use is intended. Where the registrant fails to do so, a grace period of six months may be granted. The validity period for each renewal of registration is ten years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark will be canceled. The *Trademark Law of the PRC* and its *Implementation Regulation* also stipulate rules regarding trademark infringement and compensation. Industrial and commercial administrative authorities have the authority to investigate any alleged infringement of the exclusive right under a registered trademark. If there is a suspected criminal offense, the case shall be timely referred to and decided by a judicial authority.

Copyright

The Standing Committee of National People's Congress adopted the *Copyright Law of the PRC* (《中華人民共和國著作權法》) in 1990 and amended it in 2001 and 2010, respectively. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products.

In order to further implement the *Copyright Law of the PRC*, the *Regulations of the PRC for the Implementation of Copyright Law* (《中華人民共和國著作權法實施條例》) was promulgated by the State Council on September 15, 2002 and last amended on January 30, 2013.

Pursuant to the *Copyright Law* and its implementation rules, creators of protected works enjoy personal and property rights, including, among others, the right of disseminating the works through information networks. In addition, the *Regulations for the Protection of Information Network Transmission Right* (《信息網絡傳播權保護條例》) promulgated by the State Council on May 18, 2006, and amended on January 30, 2013, specify the rules on a safe harbor for use of copyrights and copyright management technology.

In order to further implement the *Regulations for the Protection of Computer Software* (計算機軟件保護條例) promulgated by the State Council on December 20, 2001 and last amended on January 30, 2013, the State Copyright Bureau issued the *Registration of Computer Software Copyright Procedures* (計算機軟件著作權登記辦法) on February 20, 2002, which applies to software copyright registration, license contract registration and transfer contract registration.

Domain name

Domain names are protected under the *Administrative Measures on the Internet Domain Names* (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names. The registration of domain names adopts a first-to-file rule. On November 27, 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 on January 1, 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.