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OVERVIEW

Current PRC laws, rules and regulations encourage foreign investment in software development and production but impose regulatory restrictions on foreign ownership of companies that engage in value-added telecommunications businesses in China, including the provision of Internet information services. As a result, we operate the website for our China marketplace through cooperation with Alibaba Hangzhou, which is a company owned by PRC citizens and holds the licenses necessary to operate our China marketplace website in China.

In the opinion of our PRC counsel, Fangda Partners, the ownership structure, businesses and operation of our PRC subsidiaries and consolidated affiliates and our contractual arrangements with Alibaba Hangzhou comply with all current PRC laws, rules and regulations. In addition, all material governmental consents, approvals and licenses required under the current PRC laws, rules and regulations for such ownership structure, businesses and operations have been obtained save for the pending registrations for the transfer or license of certain intellectual property described in “Appendix VII — Statutory and General Information”.

As the Internet and e-commerce industry and the value-added telecommunication services industry are at an early stage of development in China, new laws and regulations may be adopted from time to time. These new laws and regulations may require us to obtain new licenses and permits in addition to those we currently have and to comply with new regulatory requirements that may be imposed from time to time. Moreover, substantial uncertainties exist with respect to the interpretation and implementation of current and future PRC laws, rules and regulations applicable to the Internet industry generally. See “Risk Factors — Risks Related to China — Regulation of the Internet and e-commerce industry by the PRC government may significantly disrupt our business and subject us to liability for information listed on our China marketplace website” on page 41.

REGULATIONS RELATING TO OUR BUSINESS

Regulation on Telecommunications Services

Value-added telecommunication services in China are governed by the Telecommunications Regulations of the PRC (中華人民共和國電信條例), or the Telecommunications Regulations, issued on September 25, 2000 by the State Council. The Telecommunications Regulations categorize all telecommunication services in China as basic telecommunications services and value-added telecommunications services and set forth extensive guidelines on various aspects of telecommunications operations in China. The Catalog of Classes of Telecommunications Businesses (電信業務分類目錄) attached to the Telecommunications Regulations, which was amended on February 21, 2003 and became effective as of April 1, 2003, provides that Internet information services are value-added telecommunications services. According to the Telecommunications Regulations, a commercial telecommunication services provider in China must obtain an operating license from the Ministry of Information and Industry, or MII, or its provincial-level counterparts.

The Administrative Measures for Telecommunications Businesses Operating Licenses (電信業務經營許可證管理辦法), or the Telecom License Measures, were promulgated by the MII on December 26, 2001 and became effective as of January 1, 2002. The Telecom License Measures, which are formulated in accordance with the Telecommunications Regulations, set forth the types of licenses required to provide telecommunication services in China and the procedures and requirements for obtaining such licenses. With respect to licenses for value-added telecommunication businesses, the Telecom License Measures distinguish between licenses for business conducted in a single province, which are issued by the provincial-level counterparts of the MII, and licenses for inter-provincial businesses, which are issued by the MII.

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Regulation on Internet Information Services

Provision of Internet information services on the website of our China marketplace is subject to various PRC laws, rules and regulations relating to the telecommunications industry and the Internet, and is regulated by various governmental authorities, including the MII and the State Administration for Industry and Commerce, or SAIC.

According to the Telecommunications Regulations and the Telecom License Measures, Internet information services are classified as value-added telecommunication services. A commercial operator of such services must obtain a value-added telecommunication business operating license, or an ICP license, from the relevant governmental authorities in order to conduct any commercial Internet content provision operations in China.

In addition, Internet information services are regulated by the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), or the ICP Measures, issued on September 25, 2000 by the State Council. The ICP Measures define “Internet information services” as the services which provide information to online users through the Internet. Internet information services are divided into commercial services and non-commercial services. Internet Information Service Providers, which are commonly referred to as ICPs, who provide commercial services are required to obtain an operating license from the MII or the relevant provincial counterparts. The ICP Measures also provide that anyone who intends to provide Internet information services relating to news, publication, education, medical and health care, pharmaceuticals or medical equipment and certain other matters shall first obtain approval from or make filing with the competent governmental authorities of the relevant industry as required by relevant laws and regulations.

With all servers for the operation of our China marketplace website located in Zhejiang Province, Alibaba Hangzhou has obtained the ICP license from Zhejiang Administration of Communications.

Regulation on Internet Content

The PRC government has promulgated measures relating to Internet content through a number of ministries and agencies, including the MII, the News Office of the State Council, the Ministry of Culture, or MOC, and the General Administration of Press and Publication, or GAPP. In addition to various approval and license requirements, these measures specifically prohibit Internet activities that result in the dissemination of any content which is found to propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise State security or secrets. If an ICP license holder materially violates these measures, the PRC government may revoke the ICP license and other relevant business operation licenses and shut down the website.

The News Office of the State Council and the MII jointly promulgated the Interim Provisions on the Administration of News Publication Services on the Internet Websites (互聯網網站從事登載新聞業務管理暫行規定) on November 7, 2000 and the Administrative Rules of the Internet News Information Services (互聯網新聞信息服務管理規定) on September 25, 2005. These rules require any Internet news information service provider to obtain approval from or make a filing with the News Office of the State Council.

We received a letter from the News Office of Zhejiang Provincial Government in 2001 confirming that the commercial information as applied to display on our China marketplace website does not fall within the scope of “news” regulated by the Interim Provisions on the Administration of News Publication Services on the Internet Websites, and therefore we are not required to obtain approval for Internet news information services from the News Office of the State Council so long as the relevant commercial news is released as “industry information” or “professional consultation” on our China marketplace website, rather than titled as “news” or displayed in a “news channel.”

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Regulation on Internet Medicine Information Service

The State Food and Drug Administration, or SFDA, promulgated the Administration Measures on Internet Medicine Information Service (互聯網藥品信息服務管理辦法) on July 8, 2004 and certain implementing rules and notices thereafter. These measures set out regulations governing the classification, application, approval, contents, qualifications and requirements for Internet medicine information services. A domestic Internet website that provides information regarding medicine or medical equipment must obtain an Internet Medicine Information Service Qualification Certificate from the corresponding provincial counterpart of SFDA.

Alibaba Hangzhou obtained its Internet Medicine Information Service Qualification Certificate from Zhejiang Food and Drug Administration Bureau on March 20, 2007.

Regulation on Electronic Bulletin Boards

The MII promulgated the Administrative Rules on the Internet Electronic Bulletin Board Service (互聯網電子公告服務管理規定) on November 6, 2000, requiring ICP license holders that provide online bulletin board services to register with, and obtain specific approval from, the relevant telecommunications authorities. According to the regulation, “electronic bulletin board services” include electronic bulletin board, electronic white board, electronic forum, message board and chat room services. The regulation provides that operators of electronic bulletin board services must keep a record of the contents posted on such services, the time for the distribution of the information and the Internet addresses or domain names involved. The record of the information must be kept for a period of 60 days and made available to the governmental authorities upon request.

The license for value-added telecommunication businesses of Alibaba Hangzhou allows it to provide electronic bulletin board services in respect of cultural entertainment, consumer services and consumer shopping.

Regulation on Advertising Services

The principal regulations governing advertising businesses in China include:

- The Advertising Law of the PRC (1994) (中華人民共和國廣告法);
- The Advertising Administrative Regulations (1987) (廣告管理條例); and
- The Implementing Rules for the Advertising Administrative Regulations (2004) (廣告管理條例施行細則).

These regulations stipulate that companies that engage in advertising activities must obtain from the SAIC or its local branches a business license that specifically includes operating an advertising business within its business scope. There are no national PRC laws or regulations specifically regulating online advertising business. The current business scope of Alibaba Hangzhou allows it to engage in the businesses of advertising agency and dissemination of domestic online advertisements.

PRC advertising laws and regulations set forth certain content requirements for advertisements in China, which include prohibitions of, among other things, misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. Advertisements for anesthetic, psychotropic, toxic or radioactive drugs are prohibited. The dissemination of advertisements of some other products, such as tobacco, patented products, pharmaceuticals, medical instruments, agrochemicals, foodstuff, alcohol and cosmetics are also subject to specific restrictions and requirements.

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Advertisers, advertising operators and advertising distributors are required by PRC advertising laws and regulations to ensure that the contents of the advertisements they prepare or distribute are true and in full compliance with applicable laws and regulations and such governmental censorship has been performed and approval has been obtained, if required by law. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In circumstances involving serious violations, the SAIC or its local branches may revoke the violator's license or permit for advertising business operations. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe on the legal rights and interests of third parties.

Regulation on Internet Security

The Standing Committee of the National People's Congress, China's national legislative body, enacted the Decision regarding the Protection of the Internet Security (關於維護互聯網安全的決定) on December 28, 2000, which provides that the following activities, among others, may be subject to criminal punishment:

- gaining improper entry into a computer or system which is of strategic importance;
- disseminating politically disruptive information or obscenities through the Internet;
- stealing and divulging State or military secrets;
- spreading false commercial or other illegal information through the Internet; or
- infringing third-party intellectual property rights through the Internet.

See "Risk Factors — Our business and brand image may be harmed by fraud or intellectual property right infringement committed by our users and substandard or potentially controversial products and services provided by suppliers, and we may be subject to vicarious product liability claims for defective products sold by our users" on page 31.

The Ministry of Public Security has promulgated measures that prohibit the use of the Internet that results in the disclosure of State secrets or the spread of socially destabilizing content. The Ministry of Public Security and the local security bureaus have authority to supervise and inspect domestic websites. If an ICP license holder violates these measures, the Ministry of Public Security and the local security bureaus may request to revoke its ICP license and shut down its websites.

Regulation on Software Development Activities

The Administrative Measures on Software Products (軟件產品管理辦法) promulgated by the MII on October 27, 2000 regulate the development and sale of computer software or software embedded in information systems or equipment provided to users and computer software in conjunction with computer information systems integration or application services or other technical services in China. The measures prohibit the development, production, sale, export or import of software products that infringe third-party intellectual property rights, contain computer viruses, endanger the safety of computer systems, contain content prohibited by the PRC government or do not comply with applicable software standards of the PRC.

All software products to be sold or operated in China must be tested by a testing organization authorized by the MII and approved by, and registered with, the MII or its provincial-level counterparts. The registration is valid for a five-year period and can be renewed. The measures also require software product manufacturers to have a business scope that includes computer software business (including software technology development or production of software products), have the

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conditions and technical strength for software production, and have a fixed production base and the procedures and capability to guarantee product quality.

REGULATIONS-RELATING TO FOREIGN INVESTMENTS IN VALUE-ADDED TELECOMMUNICATIONS INDUSTRY

According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定) issued by the State Council on December 11, 2001 and which became effective on January 1, 2002, foreign investors' ultimate equity ownership in an entity in China providing value-added telecommunication services may not exceed 50% and a foreign investor wishing to acquire any equity interest in a value-added telecommunication business in China must demonstrated good track record and experience in providing value-added telecommunication services overseas.

In July 2006, the MII issued the Notice regarding Strengthening Administration of Foreign Investment in Operating Value-Added Telecommunication Businesses (關於加強外商投資經營增值電信業務管理的通知), or the MII Notice, which prohibits holders of value-added telecommunication businesses operating licenses from leasing, transferring or selling their licenses to any foreign investors in any form, or providing any resource, sites or facilities to any foreign investors for illegal operation of telecommunications businesses in China. The MII Notice requires that holders of valued-added telecommunication business operating licenses or their shareholders must directly own the domain names and trademarks used by such license holders in their daily operations. The MII Notice further requires that each license holder must have necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license. In addition, all value-added telecommunication service providers are required to maintain network and Internet security in accordance with the standards set forth in relevant PRC regulations. If a license holder fails to comply with the requirements in the MII Notice and cure such non-compliance, the MII or its local counterparts have the discretion to take measures against such license holders, including revoking their valued-added telecommunication business operating licenses. In July 2007, Alibaba Hangzhou voluntarily submitted a self-assessment report to the Zhejiang Administration of Communication. The self-assessment report discusses Alibaba Hangzhou's compliance with the relevant provisions of the MII Notice, including (1) the value-added telecommunication service license held by Alibaba Hangzhou is in compliance with relevant laws and regulations; (2) Alibaba Hangzhou legally owns the Internet domain names www.alibaba.cn and www.alibaba.com.cn; (3) the "Alibaba" trademark and the Alibaba "smiling face" logo relating to the Internet information services have been or will be transferred to Alibaba Hangzhou; (4) Alibaba Hangzhou has necessary facilities for its operation and (5) Alibaba Hangzhou has measures and policies in place to ensure Internet safety. As of the Latest Practicable Date, no challenge has been received by the Company from the Zhejiang Administration of Communication with respect to the self-assessment report.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

China has adopted comprehensive legislation governing intellectual property rights, including trademarks, patents and copyrights. China has adhered to the main international conventions on intellectual property rights and has become a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

Patent Law

The National People's Congress adopted the Patent Law of the PRC (中華人民共和國專利法) in 1984, and amended it in 1992 and 2000. The purpose of the Patent Law is to protect and encourage invention, foster applications of invention and promote the development of science and technology. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances

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obtained by means of nuclear transformation. The Patent Office under the State Council is responsible for receiving, examining and approving patent applications. A patent is valid for a term of 20 years in the case of an invention and a term of ten years in the case of a utility model and design, starting from the application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent except for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights.

Copyright Law

The Copyright Law of the PRC (中華人民共和國著作權法) was adopted in 1990 and amended in 2001 to widen the scope of works eligible for copyright protection. The amended Copyright Law extends copyright protection to cover Internet activities and products disseminated over the Internet. Copyrighted software is protected under the Copyright Law and other regulations. In addition, there is a voluntary registration system administered by the China Copyright Protection Center.

On May 18, 2006, the State Council promulgated the Regulations on Protection of the Right of Dissemination through Information Networks (信息網絡傳播權保護條例), which became effective on July 1, 2006. The regulations require that any organization or individual who disseminates a third party's work, performance, audio or visual recording products to the public through information networks shall obtain permission from, and pay compensation to, the legitimate copyright owner of such products, unless otherwise provided under relevant laws and regulations. The legitimate copyright owner may take technical measures to protect his or her right of dissemination through information networks and any organization or individual shall not intentionally avoid, destroy or otherwise assist others in avoiding such protective measures unless permissible under law.

In order to strengthen the protection of the rights and interests of computer software copyright owners, the State Council amended the Regulations on the Protection of Computer Software (計算機軟件保護條例) on December 20, 2001, which became effective on January 1, 2002 and The State Bureau of Copyright promulgated the Measures on the Registration of Computer Software Copyright (計算機軟件著作權登記辦法) on February 20, 2002. According to the Regulations on the Protection of Computer Software, anyone who publishes, revises or translates computer software without the owner's approval is subject to civil liability. For the software copyrights of legal persons or other organizations, the term of protection for the software copyright is 50 years, ending on December 31 of the fiftieth year after the first publication of the software. The software copyright owner may follow registration procedures with the software registration institution authorized by the State Bureau of Copyright and obtain a Registration Certificate of Software Copyright, which is the prima facie proof of the registered copyright ownership.

Trademark Law

Registered trademarks are protected under the Trademark Law of the PRC (中華人民共和國商標法) adopted in 1982 and amended in 1993 and 2001. The PRC Trademark Office, is responsible for the registration and administration of trademarks throughout China. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark shall not prejudice the existing right of others obtained by priority, nor shall any person register in advance a trademark that has already been used by another person and has already gained "sufficient degree of reputation" through that person's use. After receiving an application, the PRC Trademark Office will make a public announcement if the relevant trademark passes the preliminary examination. Any person may, within three months after such public announcement, file an opposition against a trademark that has passed a preliminary examination. The PRC Trademark Office's decisions on rejection, opposition or cancellation of an application may be appealed to the PRC Trademark Review and Adjudication Board, whose decision

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may be further appealed through judicial proceedings. If no opposition is filed within three months after the public announcement period or if the opposition has been overruled, the PRC Trademark Office will approve the registration and issue a registration certificate, upon which the trademark is registered and will be effective for a renewable ten-year period, unless otherwise revoked.

Regulation on Domain Names

The MIIT amended its Administrative Measures on China Internet Domain Names (中國互聯網絡域名管理辦法) in 2004. According to the measures, domain name owners are required to register their domain names. The measures prohibit the registration and use of domain names with any content that may:

- violate the basic principles set forth in the Constitution Law of the PRC (中華人民共和國憲法);
- jeopardize state security, disclose any State secret, subvert state authority or harm national unity;
- damage national dignity or interests;
- incite ethnic hatred or discrimination or damage ethnical unity;
- harm State religious policies or advocate heresy or feudal superstition;
- disseminate rumors, disrupt social order or sabotage social stability;
- disseminate obscenity, pornography, gambling, violence, murder, terror or induce crimes;
- humiliate or defame any other person, or infringe the legal interests of any other person; or
- be otherwise prohibited by the PRC laws, rules and regulations.

REGULATION RELATING TO PRIVACY PROTECTION

The Constitution of the PRC provides that PRC law protects the freedom and privacy of communications of citizens and that infringement of such rights is not permitted. While PRC laws do not prohibit ICPs from collecting personal information of the users, PRC governmental authorities have enacted legislation in recent years regarding the use of the Internet that recognizes the protection of personal information from unauthorized disclosure. Under the ICP Measures issued by the State Council on September 25, 2000, ICPs are prohibited from producing, copying, publishing or distributing information that is humiliating or defamatory to others or that infringes the lawful rights and interests of others. Depending on the nature of their violation, ICPs may face criminal charges or sanctions by PRC security authorities. In addition, they may be ordered to temporarily suspend their services, or their licenses may be revoked. Furthermore, under the Administration Regulation on the Internet Bulletin Board Service, ICPs that provide electronic bulletin board services must keep users' personal information confidential and must not disclose such personal information to any third party without the consent of the users, unless otherwise required by law. The regulation further authorizes the relevant telecommunication authorities to order ICPs to rectify any unauthorized disclosure. ICPs could be subject to legal liability if the unauthorized disclosure causes damages or losses to the users.

However, the PRC government retains the power and authority to order ICPs to provide personal information of Internet users if the users post any prohibited content or engage in illegal activities through the Internet.

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Pursuant to the Foreign Currency Administrative Rules (中華人民共和國外匯管理條例) promulgated in 1996 and amended in 1997 and various regulations issued by the State Administration of Foreign Exchange, or SAFE, and other relevant PRC government authorities, the Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investments, require the prior approval of SAFE or its local counterpart for the conversion of Renminbi into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC.

Payments for transactions that take place within the PRC must be made in Renminbi. Unless otherwise approved, PRC companies must repatriate foreign currency payments received from abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local counterpart. Unless otherwise approved, domestic enterprises must convert all of their foreign currency receipts into Renminbi.

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), or SAFE Circular No. 75, issued on October 21, 2005, (i) a PRC resident, is required to register with the local branch of SAFE before it establishes or controls an overseas special purpose vehicle, or overseas SPV, for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into an overseas SPV, or engages in overseas financing after contributing assets or equity interests into an overseas SPV, such PRC resident shall register his or her interest in the overseas SPV and the change thereof with the local branch of SAFE; and (iii) when the overseas SPV undergoes a material event outside of China, such as a change in share capital or merger and acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of SAFE. In May 2007, SAFE issued guidance to its local branches with respect to the procedures for SAFE registration, which strengthens the supervision on registrations pursuant to SAFE Circular No. 75 and imposes obligations on onshore subsidiaries of the overseas SPVs to coordinate and supervise the relevant PRC residents to complete registration.

Under SAFE Circular No. 75, failure to comply with the registration procedures set forth above may result in restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the overseas SPV, and penalties, including, being ordered to remit the foreign exchange illegally paid out of China back into China, as well as the imposition of fines up to five times of the amount. In case a PRC resident refuses to make required registration and filings, the relevant onshore company may be exempted from penalties if it has reported such refusal to SAFE in writing.

In accordance with the SAFE Circular No. 75, approximately 4,300 of the beneficial owners or option holders of Alibaba.com Corporation who are PRC residents have conducted the overseas investment registration with the Zhejiang Provincial Bureau of SAFE for their respective overseas investment in us and our investment in each of our PRC subsidiaries.

REGULATIONS RELATING TO MERGERS AND ACQUISITIONS OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

On August 8, 2006, six PRC regulatory agencies, including the Chinese Securities Regulatory Commission, or CSRC, promulgated a rule entitled Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), or the new M&A rule, to regulate foreign investment in PRC domestic enterprises. The new M&A rule contains a provision requiring overseas SPVs, formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC residents, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC issued a

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clarification that sets forth the criteria and process for obtaining any required approval from the CSRC.

To date, the application of this new M&A rule is unclear. Our PRC counsel, Fangda Partners, has advised us that:

- all approvals and consents required under the current PRC laws, rules and regulations for our acquisitions of our PRC subsidiaries have been duly obtained; and
- based on their understanding of the current PRC laws, rules and regulations and the new M&A rule, unless there are new PRC laws, rules and regulations or clear requirements from the CSRC in any form that require the prior approval of the CSRC for the listing and trading of any overseas SPV's securities on an overseas stock exchange, the new M&A rule does not require us to obtain prior CSRC approval for the listing and trading of our shares on the Hong Kong Stock Exchange, because we are not controlled by PRC residents, and have not conducted any acquisition as defined in the new M&A rule, after September 8, 2006, the effective date of the new M&A rule.

REGULATIONS RELATING TO EMPLOYEE SHARE OPTIONS

Pursuant to the Implementation Rules of the Administrative Measures for Individual Foreign Exchange (個人外匯管理辦法實施細則), or the Individual Foreign Exchange Rules, issued on January 5, 2007 by SAFE and relevant guidance issued in March 2007, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or any other qualified PRC agent, to register with SAFE and complete certain other procedures related to the share option or other share incentive plan. Foreign exchange income received from the sale of shares or dividends distributed by the overseas listed company is required to be remitted into a foreign currency account of such PRC citizen or be exchanged into Renminbi. In addition, the overseas listed company or its PRC subsidiary or other qualified PRC agent are required to appoint an asset manager or administrator, appoint a custodian bank and open dedicated foreign currency accounts to handle transactions relating to the share option scheme or other share incentive plan. We and our PRC citizen employees who have been granted share options or RSUs, or PRC option holders, will be subject to these rules upon the listing of our Shares on the Hong Kong Stock Exchange. We have been advised by our PRC counsel, Fangda Partners, that although we may be subject to fines and legal sanctions for failure to fulfill our obligations under these rules, we will not be held liable merely for the non-compliance by any of our PRC citizen employees of the Individual Foreign Exchange Rules. See “Risk Factors – Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees’ share options and RSUs may subject such employees or us to fines and legal or administrative sanctions” starting on page 44.