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REGULATIONS ON MICROBLOGS

The Rules on the Administration of Microblog Development (《北京市微博客發展管理若干規定》), issued by the Beijing Municipal Government in 2011, stipulate that users who post publicly on microblogs are required to disclose their real identity to the microblogging service provider, though they may still use pen names on their accounts. Microblogging service providers are required to verify the identities of their users. In addition, microblogging service providers based in Beijing were required to verify the identities of all of their users, including existing users who post publicly on their websites.

The Cyber Security Law (《中華人民共和國網絡安全法》), issued by the Standing Committee of the National People’s Congress on November 7, 2016, which came into effect on June 1, 2017, requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up.

The Cyberspace Administration of China, or the CAC, released the Provisions on the Administration of Microblog Information Services (《微博客信息服務管理規定》), or the Microblogs Provisions, on February 2, 2018, which came into effect on March 20, 2018. The Provisions for Microblogs provide the principal responsibilities of the microblog service providers, including, among other matters, authentication of true identity information; tiered and categorized management; rumor-dispelling mechanisms; industry self-discipline; social supervision; and administrative management. The Microblogs Provisions further require microblog service providers to establish complete and comprehensive systems for registering users; verifying published information; managing posts, comments, and emergency responses; and providing education and training for practitioners; as well as implement a “chief editor system.” Additionally, the Microblogs Provisions require microblog service providers to set up sound rumor-dispelling mechanisms, whereby it shall take the initiative to refute rumors when it finds that any microblog service user publishes or spreads any rumor or untruthful information. Furthermore, if new technology is adopted or if any update is made to add an application or function which enable discussion of news or social mobilization capabilities, it shall be reported to the local CAC office of the relevant province, autonomous region or municipality directly under the State Council for security assessment.

In order to comply with the abovementioned rules, we have added additional clauses into the agreements between the users of our microblog service and us requesting our microblog users to register using their real names.

On November 15, 2018, the CAC and the Ministry of Public Security jointly promulgated the Regulations for the Security Assessment of Internet Information Services Having Public Opinion Properties or Social Mobilization Capacity (《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》), which deems microblogging, live streaming, information sharing services as internet information having public opinion properties or social mobilization capacity. The service providers providing such services are required to conduct security assessments when they launch new online services, expand the functionality of their existing services, introduce new technologies or applications, experience a significant increase in user base, witness the spread of unlawful or harmful information, or any other circumstance identified by the cybersecurity authorities. These service providers are required to submit security assessment reports to the local cybersecurity authorities and public security bureau via the National Internet Security Management Service Platform.

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REGULATIONS ON ADVERTISEMENTS

The PRC government regulates advertising, including online advertising, principally through State Administration for Market Regulation, or the SAMR, formerly the State Administration for Industry and Commerce. Since 2005, the State Administration for Industry and Commerce has exempted most enterprises (other than radio stations, television stations, newspapers and magazines, non-corporate entities and entities specified in other regulations) that engage in advertising business from the requirement of holding an operating license for advertising in addition to a relevant business license. We conduct our online advertising business through Weimeng, which holds a business license that covers online advertising in its scope of business.

Advertisers, advertising operators and advertising distributors are required by PRC advertising laws and regulations to ensure that the content of the advertisements they produce or distribute are true and in full compliance with applicable laws and regulations. In addition, where a special government review is required for certain categories of advertisements before publishing, advertisers, advertising operators and advertising distributors are obligated to confirm that such review has been duly performed and that the relevant approval has been obtained. Violations 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. For serious violations, the SAMR or its local branches may order the violator to terminate its advertising operations or even revoke its business license. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liabilities if they infringe on the legal rights and interests of third parties.

On April 24, 2015, the Standing Committee of the National People’s Congress issued the PRC Advertising Law or the Advertising Law (《中華人民共和國廣告法》), effective on September 1, 2015 and amended on October 26, 2018 and April 29, 2021. The Advertising Law applies to all advertising activities conducted via the internet. The Advertising Law requires that users must be able to close online pop-up ads with one click. Moreover, internet service providers are obligated to cease publishing any advertisements that they know or should know are illegal. Violation of these regulations may result in penalties, including fines, confiscation of the advertising incomes, termination of advertising operations and even suspension of the provider’s business license.

On July 4, 2016, the State Administration for Industry and Commerce issued the Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》), or the Interim Measures, which became effective on September 1, 2016. The Interim Measures clarify that “Internet Advertisements” means commercial advertisements that promote commodities or services directly or indirectly via Internet media such as websites, webpages and Internet application programs in the form of texts, pictures, audio, video or other forms. The Interim Measures also impose a number of new requirements on Internet advertisers. For example, the Interim Measures state that paid search advertisements should be clearly distinguished from ordinary search results. In addition, consistent with the Advertising Law, the Interim Measures require that advertisements published on Internet pages in the form of pop-ups or other similar forms shall be clearly marked with a “Close” button to ensure “one click to close.” The measures also prohibit unfair competition in internet advertisement publishing, including (i) providing or using any programs or hardware to intercept or filter any legally operated advertisements of other persons; and (ii) using network pathways, network equipment or applications to disrupt the normal data transmission of advertisements, alter or block legally operated advertisements of other persons or load advertisements without authorization. Violation of these regulations may result in fine of up to RMB30,000, with any punishments administrated by the Administrative Authority for Industry and Commerce in the place where the advertisement publisher is located.

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To comply with these laws and regulations, we include clauses in all of our advertising contracts requiring that all advertising content provided by advertisers or advertising agencies must comply with the relevant laws and regulations.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES

The Telecommunications Regulations (《中華人民共和國電信條例》), promulgated by the State Council in 2000, and were subsequently revised in 2014 and 2016 respectively, draw a distinction between "basic telecommunication services" and "value-added telecommunication services." Internet content provision services is a subcategory of value-added telecommunications services. According to the Catalogue of Telecommunications Business, most recently updated in June 6, 2019, the "value-added telecommunication services" was further classified into two sub-categories and 10 items. Internet content provision services, or ICP services, is under the second subcategory of value-added telecommunications businesses. Under the Telecommunications Regulations, commercial operators of value-added telecommunications services must first obtain an operating license from the MIIT or its provincial level counterparts.

The State Council issued the Administrative Measures on Internet Information Services concurrently with the Telecommunications Regulations (《互聯網信息服務管理辦法》) in 2000 to regulate internet content provision services, which was subsequently amended on January 8, 2011. According to these measures, commercial internet content provision service operators must obtain an Internet Content Provision License from the relevant government authorities before engaging in any commercial internet content provision operations within the PRC. These measures further stipulate that entities providing internet content provision services regarding news, publishing, education, medicine, health, pharmaceuticals and medical equipment must procure the approval of the national government authorities responsible for such areas prior to applying for an operating license from the relevant government authorities.

The Administrative Measures on Telecommunications Business Operating Licenses, (《電信業務經營許可管理辦法》) promulgated by the MIIT in 2001 and revised in 2009 and 2017, set forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining such licenses. For example, an information service operator providing value-added telecommunication services in multiple provinces is required to obtain an inter-regional license, whereas an information services operator providing the same services in one province is required to obtain a local license.

To comply with these PRC laws and regulations, Weimeng holds an Internet Content Provision License issued by the Beijing Telecommunications Administration. In addition, Weimeng also holds an inter-regional Value-Added Telecommunications Services Operating License for provision of value-added telecommunication services nationwide.

RESTRICTIONS ON FOREIGN OWNERSHIP IN VALUE-ADDED TELECOMMUNICATIONS SERVICES

According to the Provisions on Administration of Foreign Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), promulgated by the State Council in 2001 and amended in 2008 and 2016, respectively, the ultimate foreign equity ownership in a value-added telecommunications service provider must not exceed 50%. Moreover, for a foreign investor to acquire any equity interest in a value-added telecommunications business in China, it must demonstrate a good track record and experience in operating value-added telecommunications services. Foreign investors that meet these requirements must obtain approvals from the MIIT and the Ministry of Commerce or their authorized local branches. Due to the limitation of foreign investment in value-added telecommunications services companies

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that provide internet information services, we would be prohibited from acquiring any equity interest in Weimeng. In addition, we believe that our contractual arrangements with Weimeng and its individual shareholders provide us with sufficient and effective control over Weimeng. Accordingly, we currently do not plan to acquire any equity interest in Weimeng.

The Notice of the MIIT on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services (《關於加強外商投資經營增值電信業務管理的通知》), issued in 2006, prohibits domestic telecommunications services providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunications business in China. Either the holder of a value-added telecommunications business operating license or its shareholders must legally own the domain names and trademarks used by such license holder in providing value-added telecommunications services. The notice further requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and internet security in accordance with the standards set forth in the relevant PRC regulations. If a license holder fails to comply with the requirements in the notice and cure such non-compliance, the MIIT or its local counterparts have the discretion to take measures against such license holders, including revoking their value-added telecommunications business operating licenses.

The National People’s Congress approved the Foreign Investment Law (《中華人民共和國外商投資法》) on March 15, 2019 and the State Council approved the Regulation on Implementing the Foreign Investment Law (《中華人民共和國外商投資法實施條例》) (the “Implementation Regulations”) on December 26, 2019, effective from January 1, 2020. They replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law (《外資企業法》), together with their implementation rules and ancillary regulations. The Foreign Investment Law and Implementation Regulations embody an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Foreign Investment Law and the Implementation Regulations reference a negative industry list for foreign investment’s access into various PRC domestic industries. This negative list has been updated from time to time by the State Council and sets forth industry sectors prohibited to foreign investment. According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》) effective on July 23, 2020, or the Negative List, the ultimate foreign equity ownership of a value-added telecommunications service (other than e-commerce, domestic multi-party communications, storage-forwarding and call centers) provider in the PRC may not exceed 50%.

The Supreme People’s Court of China issued a judicial interpretation on the Foreign Investment Law on December 27, 2019, effective from January 1, 2020, to ensure fair and efficient implementation of the Foreign Investment Law. According to the judicial interpretation, courts in China shall not, among other things, support contracted parties to claim foreign investment contracts in sectors not on the Negative List as void because the contracts have not been approved or registered by administrative authorities. In addition, courts in China shall support contracted parties who claim (i) foreign investment contracts for sectors prohibited by the Negative List as void, or (ii) foreign investment contracts in sectors where foreign investment is restricted as void because the contracts have violated the restrictions in the Negative List.

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To comply with these PRC regulations, we operate our platform through Weimeng. Weimeng is currently owned by four PRC employees of our company or SINA, Y. Liu, W. Wang, W. Zheng and Z. Cao, and a third-party minority stake holder, WangTouTongDa (Beijing) Technology Co., Ltd. Weimeng holds an Internet Content Provision License and a Bulletin Board Service Permit. Weimeng owns the domain names related to its operations and our platform (weibo.com, weibo.cn, and weibo.com.cn), while the trademarks relating to our operations are held by Weibo Technology, Weimeng and SINA’s subsidiaries. Due to the fact that trademarks owned by SINA’s subsidiaries contain SINA’s Chinese name or logo, such trademarks cannot be transferred to us. However, each of SINA’s subsidiaries has granted an exclusive license to Weimeng for its use of such trademarks. If the relevant PRC government authorities determine in the future that the current ownership of our trademarks do not comply with the relevant regulations and the trademarks relating to our operations must be held by Weimeng, we may need to transfer these trademarks to Weimeng, which could severely disrupt our business.

If, despite these precautions, the PRC government determines that we do not comply with applicable laws and regulations, it can revoke our business and operating licenses, require us to discontinue or restrict our operations, restrict our right to collect revenues, block our platform, require us to restructure our operations, including possibly the establishment or restructuring of a foreign-invested telecommunications enterprise, re-application for the necessary licenses, or relocation of our businesses, staff and assets, impose additional conditions or requirements with which we may not be able to comply, or take other regulatory or enforcement actions against us.

REGULATIONS ON INTERNET CONTENT SERVICES

National security considerations are an important factor in the regulation of internet content in China. The National People’s Congress has enacted laws with respect to maintaining the security of internet operations and internet content. According to these laws, as well as the Administrative Measures on Internet Information Services, violators may be subject to penalties, including criminal sanctions, for internet content that:

- opposes the fundamental principles stated in the PRC Constitution;
- compromises national 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;
- undermines the PRC’s religious policy or propagates superstition;
- disseminates rumors, disturbs social order or disrupts social stability;
- disseminates obscenity or pornography, encourages gambling, violence, murder or fear or incites the commission of a crime;
- insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or
- is otherwise prohibited by law or administrative regulations.

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Internet content provision service operators are required to monitor their websites. They may not post or disseminate any content that falls within these prohibited categories and must remove any such content from their websites. The PRC government may shut down the websites of Internet Content Provision License holders that violate any of the above-mentioned content restrictions, order them to suspend their operations, or revoke their Internet Content Provision Licenses.

On February 4, 2015, the CAC promulgated the Administrative Provisions on Account Names of Internet Users (《互聯網用戶賬號名稱管理規定》), or the Account Names Provisions, which became effective as of March 1, 2015. The Account Name Provisions require internet service providers to authenticate registered users’ identity information and to commit to complying with the “seven basic requirements,” including, among other things, observing the laws and regulations, protecting state interests, as well as ensuring the authenticity of any information they provide. Relevant internet information service providers are responsible for protecting users’ privacy, the consistency between user information, such as account names, avatars, and the requirements set forth in the Account Names Provisions, making reports to the competent authorities regarding any violation of the Account Names Provisions, and taking appropriate measures to stop any such violations, such as, notifying the user to make corrections within a specified time and suspending or closing accounts in the event of continuing non-compliance.

On October 26, 2021, the CAC issued draft Administrative Provisions on the Account Names of Internet Users (互聯網用戶賬號名稱信息管理規定(徵求意見稿)), revising the Account Names Provisions. This draft provides that when registering an internet account, the user shall execute an agreement with the Internet user account services platform, provide authentic identity information, and obey the rules of the platform for content production and account management, the platform conventions and service agreement. Internet user account service platforms shall establish, improve and strictly implement, among others, account name information management system, information content security system, and personal information protection system. Internet user account service platforms should also establish an account name information dynamic check patrol system for the verification of real identity information, improve their technical measures for purposes of account information legal compliance, and support account name authenticity checks. When an Internet user account is in violation of the provisions of this draft, the Internet user account service platform shall suspend the service and inform the user to correct the issue within a limited time; and if the user refuses to correct it, the account shall be terminated.

On August 25, 2017, the CAC promulgated the Administrative Provisions on Internet Follow-up Comment Services (《互聯網跟帖評論服務管理規定》), which became effective as of October 1, 2017. It provides that services related to following-up on or responding to online comments must also strictly verify the identification information of registered users, establish and improve a user information protection system, establish and improve an Internet follow-up comment review and administration system for real-time monitoring of user comments, and emergency responses, among other things.

On August 25, 2017, the CAC promulgated the Administrative Provisions on Internet Forum and Community Services (《互聯網論壇社區服務管理規定》), which became effective as of October 1, 2017. It provides that Internet forum and community service providers must assume primary responsibility for establishing and improving real-time information verification, emergency response capabilities, and personal information protections as well as other information security administration systems to institute preventative safety measures with employed professionals and necessary technical support for performing these duties.

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On September 7, 2017, the CAC promulgated the 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》), which became effective as of October 8, 2017. It requires that providers verify the identification information of users of information services through Internet chat groups and take necessary measures to protect user safety and personal information.

On September 7, 2017, the CAC promulgated 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》), as amended on January 22, 2021 and became effective on February 22, 2021. Pursuant to the amended provisions, official accounts, or public accounts on certain social media, refer to subscription accounts created and run by users of internet platforms to distribute information to the public. These platforms are required to establish and improve a management system for user registration, information content security, content ecology, data security, personal information protection, intellectual property protection and credit assessment, and a monitoring and evaluation mechanism for public accounts, to prevent fraud such as false account subscriptions and interaction counts. Platforms shall also establish and disclose management rules and platform codes with respect to information content production and public account operation, both of which shall be filed with the local cyberspace administrator. The amended provisions also require platforms to verify the consistency of user information on the platform with the user’s real identity and prohibit the operators of public accounts from illegally transferring those accounts to others. Furthermore, platform shall establish and improve mechanisms to deal with online rumors and other false information. When cooperating with an account operator, platforms shall regulate and manage business acts such as e-commerce sales, advertisement publishing, user reward, etc. In addition, platform operators are obligated to prevent false advertisements and commercial fraud from occurring on their platforms.

On December 15, 2019, the CAC promulgated the Regulations on the Ecological Governance of Network Information Content (《網絡信息內容生態治理規定》), effective from March 1, 2020, which specify the content scopes that are encouraged, prohibited or prevented from producing, re-producing and publishing. The network information content producers should take measures to prevent and resist the production of content that, among others, uses exaggerated titles that are inconsistent with the content, may incite racism or discrimination against geographic region, and propagates gossip and scandals. The network information content service platforms should fulfill the main responsibility of content management and establish an ecological governance mechanism of the network information, improve system for user registration, account management, information publishing review, emergency response, and etc. The network information content service users, network information content producers and network information content service platforms should not, through manual or technical means, carry out acts, such as traffic falsification, traffic hijacking, false registration of account IDs, illegal trading of account IDs, or manipulation of user account IDs, that destroy network ecology.

The Cyberspace Administration of China launched a “Fan Group Chaos Rectification” special action on June 15, 2021, followed by the issuance of the Notice on Further Strengthening the Management of Chaos in Fan Groups (《關於進一步加強“飯圈”亂象治理的通知》) on August 25, 2021. Both of the special action and notice are intended to rectify chaos in online fan groups for celebrities, specifically, in features such as celebrity rankings, hot topics, fan communities, and fans interactive functions, so as to curb verbal abuse, stigmatization, instigation, confrontation, insults, slander, rumors, malicious marketing and the spread of other harmful information. This notice requested, among other things, the cancellation of all rankings of celebrities. The rankings of music, film and television works are still allowed, but

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the network platforms should optimize and adjust ranking rules to focus on the art works themselves and professional evaluation. Furthermore, minors are not allowed to make virtual gifting or spending money on supporting idols, or act as the organizer or manager of a fan group.

To comply with these PRC laws and regulations, we have took measures including removing the function of star power list on our platform and adopted internal procedures to monitor content displayed on our platform, including a team of employees dedicated to screening and monitoring content uploaded on our platform and removing inappropriate or infringing content.

To the extent that PRC regulatory authorities find any content displayed on or through our platform objectionable, they may require us to limit or eliminate the dissemination or availability of such content on our platform or impose penalties, including the revocation of our operating licenses or the suspension or shutdown of our online operations. In addition, the costs of compliance with these regulations may increase as the volume of content and number of users on our website increase.

REGULATIONS ON INFORMATION SECURITY

Internet content in China is also regulated and restricted from a state security point of view. The Decision 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》), enacted by the Standing Committee of the National People's Congress and amended in 2009, makes it unlawful to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights.

The Administrative Measures for the Security Protection of International Connections to Computer Information Network (《計算機信息網絡國際聯網安全保護管理辦法》), promulgated by the Ministry of Public Security in 1997 and amended in 2011, prohibit the use of the internet in ways that, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC's national defense affairs, state affairs and other matters as determined by the PRC authorities.

The Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), promulgated by the Ministry of Public Security in 2005, require all internet content provision operators to keep records of certain information about their users (including user registration information, log-in and log-out times, IP addresses, content and time of posts by users) for at least 60 days. If an internet content provision operator violates these measures, the PRC government may revoke its Internet Content Provision License and shut down its websites.

In addition, the State Secrecy Bureau has issued provisions authorizing the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets.

On July 1, 2015, the Standing Committee of the National People's Congress issued the National Security Law (《中華人民共和國國家安全法》), which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and

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cyber security development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact national security of China.

On November 7, 2016, the Standing Committee of the National People’s Congress issued the Cyber Security Law (《中華人民共和國網絡安全法》), which came into effect on June 1, 2017. The Cyber Security Law provides that network operators must set up internal security management systems that meet the requirements of a classified protection system for cyber security, including appointing dedicated cyber security personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cyber security incidents, and taking data security measures such as data classification, backups and encryption. The Cyber Security Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The Cyber Security Law also requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up. The Cyber Security Law sets forth elevated security requirements for operators of “critical information infrastructure.” These requirements include data localization, i.e., storing personal information and important business data in China, and national security review requirements for any network products or services that may have an impact on national security. Among other factors, “critical information infrastructure” is defined as critical information infrastructure, that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people’s livelihoods, or the public interest. Specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public services and e-government. The Cyber Security Law also provides that the CAC and relevant departments, upon discovery of any publication or transmission of information prohibited by laws or administrative regulations, shall request the network operators to stop the transmission, take disposal measures such as deletion, and keep relevant records. The CAC and relevant departments shall notify the relevant departments to take technological and other measures to block the transmission of any information sourced from outside the territory of China.

On March 15, 2019, the CAC and the SAMR jointly issued the Notice on App Security Certification and the Implementation Rules on Security Certification of Mobile Internet Application (《移動互聯網應用程序(App)安全認證實施規則》), which encourages mobile application operators to voluntarily obtain app security certification, and search engines and app stores are encouraged to recommend certified applications to users. The institution designated for this certification is the China Cybersecurity Review Technology and Certification Center, or the CCRC. CCRC has the right to appoint testing agencies to inspect technical capabilities and business operations for the certification.

On April 13, 2020, twelve PRC governmental authorities including the CAC issued the Measures for Cybersecurity Review (《網絡安全審查辦法》), with effect from June 1, 2020, which provide detailed cybersecurity review procedures for the purchase of network products and services by operators of “critical information infrastructure.” According to the Measures for Cybersecurity Review, operators of “critical information infrastructure” are to operators identified by the PRC governmental department in charge of the protection of critical information infrastructure, and “network products and services” primarily are to core network

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equipment, high-performance computers and servers, mass storage equipment, large databases and applications, network security equipment, cloud computing services, and other network products and services that may have an important impact on the security of critical information infrastructure.

According to the Measures for Cybersecurity Review, before purchasing any network products or services, an operator of “critical information infrastructure” shall assess potential national security risks that may arise from the launch or use of such products or services, and apply for a cybersecurity review with the cybersecurity review office of CAC (the “Cybersecurity Review Office”) if national security will or may be affected. To apply for a cybersecurity review, the operator of “critical information infrastructure” shall submit (i) an application letter, (ii) a report to analyze the impact or the potential impact on national security, (iii) purchase documents, agreements and the draft contracts, and (iv) other necessary materials. The cybersecurity review will evaluate the potential impact on national security due to the purchase of network products and services, taking into consideration of the following factors, among others, (i) the risk of any critical information infrastructure being illegally controlled, interfered, or sabotaged and any material data being stolen, leaked, or damaged, after using these products or services, (ii) the harm to the business continuity of any critical information infrastructure caused by the disruption of supply of these products and services, and (iii) the security, openness, transparency and variety of sources of these products or services, the reliability of supply channels, as well as risks of supply interruptions due to factors such as politics, diplomacy and trade.

If the Cybersecurity Review Office deems it necessary to conduct a cybersecurity review, it should complete a preliminary review within 30 business days from the issuance of a written notice to the operator, or 45 business days for complicated cases. Upon the completion of a preliminary review, the Cybersecurity Review Office should reach a review conclusion suggestion and send the review conclusion suggestion to the implementing body for the cybersecurity review mechanism and the relevant authorities for their comments. These authorities shall issue a written reply within 15 business days from the receipt of the review conclusion suggestion. If the Cybersecurity Review Office and these authorities reach a consensus, then the Cybersecurity Review Office shall inform the operator in writing, otherwise, the case will go through a special review procedure. The special review procedure should be completed within 45 business days, or longer for complicated cases.

On July 22, 2020, the Ministry of Public Security published the Guidelines on Cybersecurity Protection System and Critical Information Infrastructure Security Protection System (《貫徹落實網絡安全等級保護製度和關鍵信息基礎設施安全保護製度的指導意見》), which require competent authorities of public communication and information services, energy, transportation, water conservancy, finance, public services, electric governmental services, national defense science, technology and industry and other important industries and fields to formulate rules to identify critical information infrastructure in their respective industries fields, and furnish a list of identified entities with the Ministry of Public Security. Specifically, key protected assets, such as basic networks, large private networks, core business systems, cloud platforms, big data platforms, Internet of Things, industrial control systems, intelligent manufacturing systems, new internet and emerging communication facilities that meet the requirements for identification should be identified as critical information infrastructure.

On June 10, 2021, the Standing Committee of the National People’s Congress promulgated the Data Security Law (《中華人民共和國數據安全法》), which took effect on September 1, 2021. The Data Security Law establishes a classified and tiered system for data protection based on the level of importance of the data in the economic and social development, as well as the level of danger of the data imposed on national security, public interests, or the legal interests of

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individuals and organizations upon any manipulation, destruction, leakage, illegal acquisition or illegal usage. Furthermore, it is specified that the Cyber Security Law applies to the security administration of the cross-border transfer of important data collected and generated by operators of “critical information infrastructure” during their operations in China.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Strictly Combating Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which request improvement on the laws and regulations related to data security, cross-border data transfer and the management of confidential information, strengthening principal responsibility for the information security of overseas listed companies, strengthening standardized mechanisms for providing cross-border information, and improvement of cross-border audit regulatory cooperation in accordance with the law and the principle of reciprocity.

On July 10, 2021, the CAC published a discussion draft of the proposed amended Measures for Cybersecurity Review (《網絡安全審查辦法(修訂草案征求意见稿)》) for public comment until July 25, 2021, which provides that (i) operators of “critical information infrastructure” or data processors holding over one million users’ personal information shall apply with the Cybersecurity Review Office for a cybersecurity review when listing abroad, (ii) operators of “critical information infrastructure” that intend to purchase internet products and services that will or may affect national security shall apply for a cybersecurity review, and (iii) data processors carrying out data processing shall apply for a cybersecurity review. The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted. The PRC government authorities have wide discretion in the interpretation and enforcement of these laws, including identifying any entity to meet any of the above cybersecurity review criteria.

On July 30, 2021, the State Council promulgated the Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), effective on September 1, 2021. According to the Regulations on Security Protection of Critical Information Infrastructure, a “critical information infrastructure” has the meaning of an important network facility and information system in important industries such as, among others, public communications and information services, as well as other important network facilities and information systems that may seriously endanger national security, the national economy, the people’s livelihood, or the public interests in the event of damage, loss of function, or data leakage. The competent governmental departments and supervision and management departments of the aforementioned important industries will be responsible for (i) organizing the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (ii) promptly notifying the identified operators and the public security department of the State Council of the identification results.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》) (the “Personal Information Protection Law”), effective from November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information bear responsibilities for their personal information handling activities, and shall adopt necessary measures to safeguard the

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security of the personal information they handle. Otherwise, the entities handling personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

On November 14, 2021, the CAC published a discussion draft of Management Measures for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》) or the Draft Measures for Internet Data Security, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. The Draft Measures for Internet Data Security also provide that operators of large Internet platforms that set up headquarters, operation centers or R&D centers overseas (境外) shall report to the national cyberspace administration and competent authorities.

In addition, the Draft Measures for Internet Data Security requires data processors processing over one million users' personal information to comply with the regulations on important data processors, including, among others, appointing a person in charge of data security and establishing a data security management organization, filing with the competent authority within fifteen working days after identifying its important data, formulating data security training plans and organizing data security education and training for all staff every year, and that the education and training time of data security related technical and management personnel shall not be less than 20 hours per year.

The Draft Measures for Internet Data Security also state that data processors processing important data or going public overseas (境外) shall conduct an annual data security assessment by themselves or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to the local branch of CAC before January 31 of each year.

Further, the Draft Measures for Internet Data Security also require Internet platform operators to establish platform rules, privacy policies and algorithm strategies related to data, and solicit public comments on their official websites and personal information protection related sections for no less than 30 working days when they formulate platform rules or privacy policies or makes any amendments that may have a significant impacts on users' rights and interests. Further, platform rules and privacy policies formulated by operators of large Internet platforms with more than 100 million daily active users, or amendments to such rules or policies by operators of large Internet platforms with more than 100 million daily active users that may have significant impacts on users' rights and interests shall be evaluated by a third-party organization designated by the CAC and reported to local branch of the CAC for approval.

The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted.

Because Weimeng is an internet content provision operator, we are subject to laws and regulations relating to information security. To comply with these laws and regulations, Weimeng has completed the mandatory security filing procedures with local public security authorities. We regularly update our information security and content-filtering systems based on any newly issued content restrictions, and maintain records of user information as required by relevant laws and regulations. We have also taken measures to delete or remove links to content that, to our knowledge, contains information that violates PRC laws and regulations.

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If, despite the precautions, we fail to identify and prevent illegal or inappropriate content from being displayed on or through our platform, we may be subject to liability. In addition, these laws and regulations are subject to interpretation by the relevant authorities, and it may not be possible to determine in all cases what content could result in liability. To the extent that PRC regulatory authorities find any content displayed on or through our platform objectionable, they may require us to limit or eliminate the dissemination or availability of such content or impose penalties, including the revocation of our operating licenses or the suspension or shutdown of our online operations. In addition, the costs of compliance with these regulations may increase as the volume of content and users on our website increase.

REGULATIONS ON ALGORITHM RECOMMENDATIONS

On February 7, 2021, the Anti-Monopoly Commission of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》), which stipulates that online platform operators who use technological advantages, such as data and algorithms, to eliminate or restrict competition or impose price restrictions or exclusivity requirements on users, may be deemed as committing an abuse of dominant market position.

On September 17, 2021, the CAC, together with eight other governmental authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithms for Internet Information Services (關於加強互聯網信息服務算法綜合治理的指導意見), which provides that daily monitoring of data use, application scenarios and effects of algorithms shall be carried out by the relevant regulators, and that security assessments of algorithms shall be conducted by the relevant regulators. The guidelines also provide that an algorithm filing system shall be established and classified security management of algorithms shall be promoted.

On August 27, 2021, the CAC issued a discussion draft of the Administrative Provisions on Algorithm Recommendation of Internet Information Services (《互聯網信息服務算法推薦管理規定(徵求意見稿)》), which provides that algorithm recommendation service providers are not allowed to use algorithms to register false user accounts, block information, give excessive recommendations, and that users should be given the option to easily turn off algorithm recommendation services. Although the CAC has solicited comments on this draft since August 27, 2021, there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation.

We have been advised by our PRC Legal Adviser that our current approaches are in compliance with effective laws and regulations for algorithm recommendation in all material aspects as of the date of this document. However, since the draft Administrative Provisions on Algorithm Recommendation of Internet Information Services has not yet been enacted, the potential impact on our business operations is still substantially uncertain.

REGULATIONS ON INTERNET PRIVACY

In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. PRC law does not prohibit internet content provision operators from collecting and analyzing personal information from their users. However, the Administrative Measures on Internet Information Services prohibit an internet content provision operator from insulting or slandering a third party or infringing the lawful rights and interests of a third party.

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The Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), promulgated by the MIIT and effective in 2012, stipulate that internet content provision operators must not, without user consent, collect user personal information, which is defined as user information that can be used alone or in combination with other information to identify the user, and may not provide any such information to third parties without prior user consent. Internet content provision operators may only collect user personal information necessary to provide their services and must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information. In addition, an internet content provision operator may only use such user personal information for the stated purposes under the internet content provision operator's scope of service. Internet content provision operators are also required to ensure the proper security of user personal information, and take immediate remedial measures if user personal information is suspected to have been disclosed. If the consequences of any such disclosure are expected to be serious, ICP operators must immediately report the incident to the telecommunications regulatory authority and cooperate with the authorities in their investigations.

On December 28, 2012, the Standing Committee of the National People's Congress issued the Decision on Strengthening the Protection of Online Information (《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》). Most requirements under the decision that are relevant to internet content provision operators are consistent with the requirements already established under the MIIT provisions mentioned above, though often more strict and broad. Under the decision, if an internet content provision operator wishes to collect or use personal electronic information, it must do so in a legal and appropriate manner, and may do so only if it is necessary for the services it provides. It must disclose the purpose, method and scope of any such collection or use, and must seek consent from the relevant individuals. Internet content provision operators are also required to publish their policies relating to information collection and use, must keep such information strictly confidential, and must take technological and other measures to ensure the safety of such information. Internet content provision operators are further prohibited from divulging, distorting or destroying of any such personal electronic information, or selling or providing such information to other parties. The decision also requires that internet content provision operators providing information publishing services must collect from users their personal identification information, for registration. In very broad terms, the decision provides that violators may face warnings, fines, confiscation of illegal gains, license revocations, filing cancellations and website closures.

On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》). Most requirements under the order that are relevant to internet content provision operators are consistent with pre-existing requirements but the requirements under the order are often more stringent and have a wider scope. If an internet content provision operator wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, it must disclose to its users the purpose, method and scope of any such collection or use, and must obtain consent from its users whose information is being collected or used. Internet content provision operators are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential, and take technological and other measures to maintain the security of such information. Internet content provision operators are required to cease any collection or use of the user personal information, and de-register the relevant user account, when a given user stops using the relevant internet service. Internet content provision operators are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties. In addition, if an internet content provision operator appoints an agent to undertake any marketing and technical services that

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involve the collection or use of personal information, the internet content provision operator is still required to supervise and manage the protection of the information. As to penalties, in very broad terms, the order states that violators may face warnings, fines, and disclosure to the public and, in most severe cases, criminal liability.

On November 7, 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law (《中華人民共和國網絡安全法》), which came into effect on June 1, 2017. The Cyber Security Law imposes certain data protection obligations on network operators, including that network operators may not disclose, tamper with, or damage users' personal information that they have collected, and are obligated to delete unlawfully collected information and to amend incorrect information. Moreover, internet operators may not provide users' personal information to others without consent. Exempted from these rules is information irreversibly processed to preclude identification of specific individuals. Also, the Cyber Security Law imposes breach notification requirements that will apply to breaches involving personal information.

On January 23, 2019, the CAC, the MIIT, and the Ministry of Public Security or the MPS, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via 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》), which restates the requirement of legal collection and use of personal information, encourages APP operators to conduct security certifications, and encourages search engines and APP stores to clearly mark and recommend those certified APPs.

On August 22, 2019, the CAC issued the Regulation on Cyber Protection of Children's Personal Information (《兒童個人信息網絡保護規定》), effective on October 1, 2019. Network operators are required to establish special policies and user agreements to protect children's personal information, and to appoint special personnel in charge of protecting children's personal information. Network operators who collect, use, transfer or disclose personal information of children are required to, in a prominent and clear way, notify and obtain consent from children's guardians.

On November 28, 2019, the CAC, MIIT, MPS and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by APPs (《App違法違規收集使用個人信息行為認定方法》), which lists six types of illegal collection and usage of personal information, including "not publishing rules on the collection and usage of personal information" and "not providing privacy rules."

On May 28, 2020, the National People's Congress adopted the Civil Code of the PRC (《中華人民共和國民法典》), effective on January 1, 2021. According to the Civil Code, individuals have the right of privacy. No organization or individual shall process any individual's private information or infringe on an individual's right of privacy, unless otherwise prescribed by law or with such individual's prior express consent. In addition, personal information is protected by the PRC laws. Any processing of personal information shall be subject to the principles of legitimacy, legality and necessity. An information processor must not divulge or falsify the personal information collected and stored by it, or provide the personal information of an individual to others without the consent of such individual.

To comply with these laws and regulations, we require our users to accept terms of services under which they agree to provide certain personal information to us, to have established information security systems protect user privacy and to have such information filed with the MIIT or its local branch as required. If Weimeng, which is an internet content provision operator, violates PRC laws in this regard, the MIIT or its local bureau may impose penalties and Weimeng may be liable for damages caused to their users.

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On May 25, 2018, EU Directive 95/46/EEC was replaced by the GDPR on the protection of natural persons with regard to the processing of personal data and on the free movement of such data. 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 the 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 more stringent operational requirements for controllers of personal data, including, for example, expanded disclosures about 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.

The activities of data processors will be regulated for the first time, and companies undertaking processing activities are required to offer certain guarantees in relation to the security of such processing and the handling of personal data. Contracts with data processors will also need to be updated to include certain terms prescribed by the GDPR, and negotiating such updates may not be fully successful in all cases. Failure to comply with EU 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.

REGULATION ON ANTI-MONOPOLY AND ANTI-UNFAIR COMPETITION

On September 2, 1993, the Standing Committee of the National People's Congress, or the SCNPC, adopted the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), which took effect on December 1, 1993, and was amended on April 23, 2019. According to the Anti-unfair Competition Law, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

The PRC Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC, which became effective on August 1, 2008, and the Rules of the State Council on Filing Threshold for Concentration of Undertakings (《國務院關於經營者集中申報標準的規定》) promulgated by the State Council on August 3, 2008, and amended on September 18, 2018, require that where a concentration reaches one of the following thresholds, a filing must be completed in advance with the anti-monopoly law enforcement agency under the State Council, or otherwise the concentration shall not be implemented: (i) during the previous fiscal year, the total global turnover of all undertakings participating in the concentration exceeded RMB10 billion, and at least two of these undertakings each had a turnover of more than RMB400 million within China; or (ii) during the previous fiscal year, the total turnover within China of all the undertakings participating in the concentration exceeded RMB2 billion, and at least two of these undertakings each had a turnover of more than RMB400 million within China. If a business operator carries out a concentration in violation of the law, the relevant authority shall order the business operator to terminate the concentration, dispose of the shares or assets or transfer the business within a specified time limit, or take other measures to restore the pre-concentration status, and impose a fine of up to RMB500,000.

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On October 23, 2021, the Standing Committee of the National People’s Congress issued a discussion draft of the amended Anti-Monopoly Law, which proposes to increase the fines for illegal concentration of business operators to no more than ten percent of its last year’s sales revenue if the concentration of business operator has or may have an effect of excluding or limiting competitions; or a fine of up to RMB5 million if the concentration of business operator does not have an effect of excluding or limiting competition. The draft also proposes that the relevant authority shall investigate a transaction where there is any evidence that the concentration has or may have the effect of eliminating or restricting competitions, even if such concentration does not reach the filing threshold.

On August 17, 2021, the State Administration for Market Regulation issued a discussion draft of Provisions on the Prohibition of Unfair Competition on the Internet (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》), under which business operators should not use data or algorithms to hijack traffic or influence users’ choices, or use technical means to illegally capture or use other business operators’ data. Furthermore, business operators are not allowed to (i) fabricate or spread misleading information to damage the reputation of competitors, or (ii) employ marketing practices such as fake reviews or use coupons or “red envelopes” to entice positive ratings.

On September 11, 2020, the Anti-Monopoly Commission of the State Council issued Anti-Monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》), which requires operators to establish anti-monopoly compliance management systems under the PRC Anti-Monopoly Law to manage anti-monopoly compliance risks.

On February 7, 2021, the Anti-Monopoly Commission of the State Council published Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》) that specified circumstances where an activity of an internet platform will be identified as monopolistic act as well as concentration filing procedures for business operators, including those involving variable interest entities.

In August 2021, the SAMR issued two investigation notices to Weimeng Chuangke regarding alleged illegal concentration of business operators under the Anti-Monopoly Law, among which, one resulted in a fine of RMB500,000 for concentration of business operators without prior filing pursuant to the Anti-Monopoly Law and the other one is still under investigation as of the date of this document. Weimeng Chuangke is actively cooperating with the SAMR on such investigation. We are not able to predict the status or the results of the investigation at this stage. See “Risk Factors – Any failure or perceived failure by us to comply with the Anti-Monopoly Guidelines for Internet Platforms Economy Sector and other PRC anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.”

REGULATIONS ON INTERNET FINANCE

In July 2015, ten PRC regulatory agencies, including the People’s Bank of China, or the PBOC, the MIIT and the China Banking Regulatory Commission, which was re-organized into the CBIRC in March 2018, jointly issued the Guidelines 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》), or the Guidelines. The Guidelines call for active government support for China’s internet finance industry, including the online peer-to-peer lending service industry, and clarify the division of responsibility among regulatory agencies. The Guidelines specify that the CBIRC will have primary regulatory responsibility for the online peer-to-peer lending service industry in China and state that online peer-to-peer lending service providers shall act as an intermediary platform to

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provide information exchange, matching, credit assessment and other intermediary services, and must not provide credit enhancement services and/or engage in illegal fund-raising. The Guidelines provide additional requirements for China's internet finance industry, including the use of custodial accounts with qualified banks to hold customer funds as well as information disclosure requirements.

In August 2016, four PRC regulatory agencies, including the CBIRC, the MIIT, the MPS and Cyberspace Administration of China, published the Interim Measures for the Administration of Business Activities of Online Lending Information Intermediaries (《網絡借貸信息中介機構業務活動管理暫行辦法》), or the Interim Measures. The Interim Measures define online lending intermediaries as the financial information intermediaries that are engaged in online peer-to-peer lending information business and provide lenders and borrowers with lending information services, such as information collection and publication, credit rating, information interaction and loan facilitation. Consistent with the Guidelines, the Interim Measures prohibit online lending intermediaries from providing credit enhancement services and collecting funds directly or indirectly, and require, among others, (i) that online lending intermediaries intending to provide online lending information agency services, and their subsidiaries and branches, must make relevant record-filing with local financial regulatory authorities with which they are registered after obtaining the business license; (ii) that online lending intermediaries operating telecommunication services must apply for relevant telecommunication service licenses after the completion of the record-filing and registration with the local financial regulatory authority; and (iii) that online lending intermediaries must materially specify the online lending information intermediary in their business scopes.

In October 2016, the CBIRC, the MIIT and the SAIC jointly published the Guidelines on the Administration of Record-filings of Online Lending Information Intermediary Agencies (《關於印發網絡借貸信息中介機構備案登記管理指引的通知》), or the Record-filings Guidelines, to establish and improve the record-filing mechanisms for online lending intermediaries. According to the Record-filings Guidelines, a newly established online lending intermediary shall make the record-filings with the local financial regulatory authority after obtaining the business license; while with respect to any online lending intermediary which is established and begins to conduct the business prior to the publication of this Record-filings Guidelines, the local financial regulatory authority shall, pursuant to relevant arrangement of specific rectification work for risks in online peer-to-peer lending, accept the application for record-filings submitted by a qualified online lending intermediary, or any online lending intermediary which has completed the rectification confirmed by relevant authorities.

In August 2017, the General Office of the CBIRC released the Guidelines on Information Disclosure of Business Activities of Online Lending Information Intermediaries (《關於印發網絡借貸信息中介機構業務活動信息披露指引的通知》), or the Information Disclosure Guidelines. Consistent with the Interim Measures, the Information Disclosure Guidelines emphasize the information disclosure requirement by an online lending intermediary and further, stipulate the details of the frequency and scope of such information disclosure. Any violation of the Information Disclosure Guidelines by an online lending intermediary may subject it to certain penalties under the Interim Measures. In addition, the Information Disclosure Guidelines require online lending intermediaries that do not fully comply with the Information Disclosure Guidelines in conducting their business to rectify the relevant activities within six months after the release of the Information Disclosure Guidelines.

On March 28, 2018, the Office of the Leading Group for the Special Rectification of Internet Financial Risks issued the Notice on Strengthening the Remediation of Asset Management Business through the Internet and Carrying out Acceptance Work (《關於加大通過互聯網開展資產管理業務整治力度及開展驗收工作的通知》). Under such notice, asset management

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companies that have obtained the qualification for sales of asset management products shall only engage in public fund-raising from the sales of asset management products, and shall not participate in the “targeted entrustment plan”, “targeted financing plan”, “financial management plan”, “asset management plan”, “transfer of income rights”, relying on the Internet to issue and sell asset management products for public fundraising without permission.

In March 2019, the Beijing Internet Finance Industry Association (the “Association”) issued a Notice on the Launch of the Citywide Inspection Action (《關於啟動全市範圍內摸排檢查行動的公告》) and the Risk Reminder Letter on the Enterprises Providing Diversion Services to Non-Licensed Lending Institutions (《關於相關企業為非持牌放貸機構提供導流服務的風險提示函》). This notice and letter summarized the findings of the Association’s investigation into the online “Cash Loan” business. The Association had discovered that numerous internet and social media platforms, not licensed as lending institutions, are nevertheless engaging in unlicensed “Cash Loan” or “Excess-interest Loan” business via diversion practices undertaken in partnership with licensed lenders. The Association ordered relevant enterprises to terminate all such selling of “Cash Loan” products provided by partner institutions immediately, and save all historical data in that connection to further support the Association’s work. In the event of enforcement action taken in this regard by relevant authorities, we may be required to terminate certain of our loan facilitation business services, which could have a material adverse effect on our business.

On September 7, 2020, the Notice of General Office of the China Banking and Insurance Regulatory Commission on Strengthening the Supervision and Administration of Microlending Companies (《中國銀保監會辦公廳關於加強小額貸款公司監督管理的通知》) was promulgated. Under this regulation, lending entities should adhere to the principle of petty sum and decentralization. Following such principle, microlending companies shall reasonably determine the amount and term of loans based on the income level, overall liabilities, asset status, actual needs and other factors of borrowers, so as to ensure that the repayment amount of the borrowers does not exceed their repayment capacity. The balance of the loans provided by a microlending company to the same borrower shall not exceed 10% of the company’s net assets; and the balance of the loans provided by a microlending company to the same borrower and its affiliated parties shall not exceed 15% of the company’s net assets. Local financial regulatory authorities may, in light of regulatory needs, lower the maximum balance of the aforesaid loans.

On December 29, 2020, the Reply by Supreme People’s Court to Issues Concerning the Scope of Application of the New Judicial Interpretation on Private Lending (《最高人民法院關於新民間借貸司法解釋適用範圍問題的批覆》) was issued. Under this regulation, upon the matter of the scope of private lending, after soliciting the opinions of financial regulatory authorities, seven types of local financial organizations, including loan companies, financing guarantee companies, regional equity markets, pawnshops, financing lease companies, commercial factoring companies and local asset management companies under the regulation of local financial regulatory authorities, are considered to be “financial institutions established upon approval by financial regulatory authorities”. The new judicial interpretation on private lending is not applicable to the institution mentioned above in respect of disputes arising from their engagement in relevant financial businesses.

On December 7, 2020, the CBIRC issued the Measures for the Regulation of Internet Insurance Business (《互聯網保險業務監管辦法》), which was effective on February 1, 2021. Under such measures, self-operating network platforms with insurance sales or insurance application functions and information management systems shall be under security protection of class III or above, with appropriate customer information protection systems.

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On February 20, 2021, the Notice of General Office of the China Banking and Insurance Regulatory Commission on Further Regulating the Internet Lending Business of Commercial Banks (《關於進一步規範商業銀行互聯網貸款業務的通知》) was issued. Under this regulation, if a commercial bank and a cooperative agency jointly contribute to the issuance of Internet loans, (i) management requirements for the range of capital contribution proportion shall be strictly implemented, (ii) the capital contribution proportion of the cooperative party in a single loan shall not be less than 30%, and (iii) the bank’s balance of loans granted with a single cooperative party (including its affiliated parties) shall not exceed 25% of the net tier 1 capital of the bank. The balance of Internet loans jointly issued by a commercial bank and a cooperative agency shall not exceed 50% of the bank’s balance of total loans granted by the bank. Also, this regulation imposes strict control over cross-regional operations. A local corporate bank that engages in Internet lending business shall provide services for local clients and shall not carry out Internet lending business beyond the jurisdiction of its registration place. However, a corporate bank that has no physical business outlets, mainly carries out its business online, and meets other conditions prescribed by the CBIRC is excluded.

On March 12, 2021, the PBOC issued the Announcement of the People’s Bank of China [2021] No. 3 (“No. 3 Announcement”, 《中國人民銀行公告[2021]第3號》). Under this No. 3 Announcement, all loan products shall explicitly indicate their annualized loan interest rate by displaying to the borrower in a conspicuous manner when marketing it through any website, mobile application, poster or any other channel, as well as state such annualized interest rate in the loan contract executed, and all loan products may also have information such as the daily interest rate or the monthly interest rate displayed at the same time, provided that it is not in a manner more conspicuous than the annualized interest rate.

On January 13, 2021, the CBIRC and the PBOC issued the Circular of the General Office of the China Banking and Insurance Regulatory Commission and the General Office of the People’s Bank of China on Matters Relating to Regulating the Personal Deposit Business Conducted by Commercial Banks through the Internet (《中國銀保監會辦公廳、中央銀行辦公廳關於規範商業銀行通過互聯網開展個人存款業務有關事項的通知》). Under such circular, commercial banks are prohibited to conduct time deposit or time-demand optional deposit business through any non-self-operating online platform, including but not limited to, providing such services as marketing publicity, product display, information transmission, purchase access, and interest subsidy through a non-self-operated online platform.

To comply with these laws and regulations on internet finance service, we have made relevant adjustments to the services available through Weibo wallet from time to time over the past several years. See “Risk factor — We may face certain risks related to financial products available on our Weibo wallet.”

REGULATIONS ON ONLINE GAME OPERATIONS AND CULTURAL PRODUCTS

Online Cultural Products

The Provisional Regulations for the Administration of Online Culture (《互聯網文化管理暫行規定》), issued by the Ministry of Culture in 2003 and further revised in 2004, 2011 and 2017, apply to entities engaging in activities related to “internet cultural products,” which include cultural products that are produced specifically for internet use, such as online music and entertainment, online games, online plays, online performances, online works of art and Web animation, and other online cultural products that through technical means, produce or reproduce music, entertainment, games, plays and other art works for internet dissemination. According to these Regulations, commercial entities are required to apply to the relevant local branch of the Ministry of Culture for an Online Culture Operating Permit if they engage in the

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production, duplication, importation, release or broadcasting of internet cultural products; the dissemination of online cultural products on the internet or the transmission of such products via internet or mobile phone networks to user terminals, such as computers, phones, television sets and gaming consoles, or internet surfing service sites such as internet cafes; or the holding or exhibition of contests related to internet cultural products.

The Administrative Measures for Content Self-review by Internet Culture Business Entities (《網絡文化經營單位內容自審管理辦法》), which were issued by the Ministry of Culture on August 12, 2013, and took effect on December 1, 2013, require internet culture business entities to review the content of products and services before providing them to the public. The content management system of an internet culture business entity is required to specify the responsibilities, standards and processes for content review as well as accountability measures, and is required be filed with the local provincial branch of the Ministry of Culture.

Weimeng currently holds an Online Culture Operating License issued by the Beijing Municipal Bureau of Culture and Tourism on October 20, 2020 and valid through December 30, 2023.

Internet Publication

The Rules for the Administration of Electronic Publications (《電子出版物出版管理規定》), which were issued by the General Administration of Press and Publication in 2008 and further amended in 2015, regulate the production, publishing and importation of electronic publications in the PRC and outline a licensing system for business operations involving electronic publishing. Under these rules and other regulations issued by the General Administration of Press and Publication, online games are classified as a type of electronic production and publishing of online games is required to be done by licensed electronic publishing entities with standard publication codes. If a PRC company is contractually authorized to publish foreign electronic publications, it must obtain the approval of, and register the copyright license contract with, the State Administration for Press, Publication, Radio, Film and Television, which was formed when the General Administration of Press and Publication was combined with the State Administration for Radio, Film and Television in March 2013.

The Administrative Provisions on Online Publishing Services (《網絡出版服務管理規定》), or the Provisions, which were jointly issued by the MIIT and the State General Administration of Press, Publication, Radio, Film and Television in 2016, and took effect on March 10, 2016. The Provisions define "online publishing services" as providing online publications to the public through information networks. Any online publishing services provided in the territory of the PRC is subject to the Provisions. The Provisions requires any internet publishing services provider to obtain an online publishing service license to engage in online publishing services. Under the Provisions, online publications refer to digital works which have publishing features such as having been edited, produced or processed and which are made available to the public through information networks, including written works, pictures, maps, games, cartoons, audio/video reading materials and others. Any online game shall obtain approval from the relevant regulator before it is launched online. According to the Negative List, foreign investment is prohibited from entering into the publishing service industry.

Online Games

According to the Circular of the Ministry of Culture on Strengthening the Examination of Content of Online Games Products (《文化部關於加強網絡遊戲產品內容審查工作的通知》) issued by the Ministry of Culture in 2004, the content of any foreign online game products

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should be examined and approved by the Ministry of Culture before they are operated within China. Entities engaged in developing and operating domestic online games products should register with the Ministry of Culture.

The Notice Regarding the Consistent Implementation of the “Stipulations 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 Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet 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》) also known as Circular 13, was jointly published by the General Administration of Press and Publication, the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications in 2009. Circular 13 expressly states that foreign investors are not permitted to participate in the operation of online games via wholly owned, equity joint venture or cooperative joint venture investments in China, and from controlling and participating in such businesses directly or indirectly through contractual or technical support arrangements. In addition, according to Circular 13, the approval of the General Administration of Press and Publication is required for publishing any imported online games. Although Circular 13 was issued several years ago, it is not yet clear what impact, if any, it will have on the operation of online games in China.

According to the Interim Administrative Measures for Internet Games, issued by the Ministry of Culture on June 3, 2010 and last amended on December 15, 2017, any entity engaging in online game operations must obtain an Online Culture Operating License. On July 10, 2019, this measure was abolished by the Ministry of Culture and Tourism. As a result, the Ministry of Culture and Tourism is no longer responsible for regulating the online game industry in China and has ceased to grant or renew any Online Culture Operating License relating to game operations. The issued Online Culture Operating License relating to game operations, however, will remain valid until each of their original expiration dates.

On August 30, 2021, the NPPA issued the Notice on Further Strict Management to Prevent Minors from Indulging in Online Games (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), which requires all online game operators to provide services to minors only on any Friday, Saturday, Sunday and statutory holidays from 8:00 p.m. to 9:00 p.m., i.e. for one hour, and not to provide online games in any form to users who have not registered or logged in with their real names. In addition to the real-name registration system already in place, we have adjusted the systems in the games operated by us to comply with the requirements under this notice. The revenue contributed by online games accounted for an insignificant portion of our total revenue during the Track Record Period.

Virtual Currency

The Notice on the Reinforcement of the Administration of Internet Cafes and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》), jointly issued by the Ministry of Culture, the People’s Bank of China and other government authorities in 2007, directs the People’s Bank of China to strengthen the administration of virtual currency in online games to avoid any adverse impact on the real economic and financial systems. This notice provides that the total amount of virtual currency issued by online game operators and the amount purchased by individual users should be strictly limited, with a strict and clear division between virtual transactions and real e-commerce transactions. This notice also provides that virtual currency should only be used to purchase virtual items.

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The Notice on the Strengthening of Administration on Online Game Virtual Currency (《文化部關於改進和加強網絡遊戲內容管理工作的通知》), jointly issued by the Ministry of Culture and the Ministry of Commerce in 2009, broadly defined virtual currency as a type of virtual exchange instrument issued by internet game operation enterprises, purchased directly or indirectly by the game user by exchanging legal currency at a certain exchange rate, saved outside the game programs, stored in servers provided by the internet game operation enterprises in electronic record format and represented by specific numeric units. Virtual currency is used to exchange internet game services provided by the issuing enterprise for a designated extent and time, and is represented by several forms, such as online prepaid game cards, prepaid amounts or internet game points, and does not include game props obtained from playing online games. In 2009, the Ministry of Culture further promulgated the Filing Guidelines on Online Game Virtual Currency Issuing Enterprises and Online Game Virtual Currency Trading Enterprises (《“網絡遊戲虛擬貨幣發行企業”、“網絡遊戲虛擬貨幣交易企業”申報指南》), which specifically defines “issuing enterprise” and “trading enterprise” and stipulates that a single enterprise may not operate both types of business.

Protection of Minors

In 2007, the General Administration of Press and Publication and several other governmental authorities issued a circular requiring the implementation of an “anti-fatigue system” and a real-name registration system by all PRC online game operators, in an effort to curb addictive online game play behaviors of minors. Under the anti-fatigue system, three hours or less of continuous play by minors is considered to be “healthy,” three to five hours to be “fatiguing,” and five hours or more to be “unhealthy.” Game operators are required to reduce the value of in-game benefits to a game player by half if the game player has reached “fatiguing” level, and to zero in the case of “unhealthy” level.

The Notice on Initializing the Verification of Real-name Registration for Anti-Fatigue System on Internet Games (《關於啟動網絡遊戲防沉迷實名驗證工作的通知》), issued by the General Administration of Press and Publication, the MIIT, the Ministry of Education and five other governmental authorities in 2011, imposes stringent penalties on online game operators that do not implement the required anti-fatigue and real-name registration measures properly and effectively. Its main focus is to prevent minors from using an adult ID to play internet games. The operation of an online game may be terminated if the operator is found to be in violation of this notice.

The Implementation of Online Game Monitoring System of the Guardians of Minors (《“網絡遊戲未成年人家長監護工程”實施方案》), a circular jointly issued by the Ministry of Culture, the MIIT and six other central government authorities in 2011, aimed to provide specific protective measures to monitor the online game activities of minors and curb addictive online game play behavior by minors. Under this circular, online game operators are required to adopt various measures to maintain a system to communicate with the parents or other guardians of minors playing online games and online game operators are required to monitor the online game activities of minors, and must suspend the account of a minor if so requested by the minor’s parents or guardians. The monitoring system was formally implemented on March 1, 2011.

The Work Plan for the Integrated Prevention of Minors’ Online Game Addiction (《未成年人網絡遊戲成癮綜合防治工程工作方案》), jointly issued by the General Administration of Press and Publication, the Ministry of Education, the Ministry of Culture, the MIIT and 11 other PRC government authorities on February 5, 2013, implemented integrated measures by different authorities to prevent minors from becoming addicted to online games. Under the work plan,

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the current relevant regulations regarding online games will be further clarified and additional implementation rules will be issued, and as a result, online game operators will be required to implement additional measures to protect minors.

On October 25, 2019, the General Administration of Press and Publication issued the Notice on Preventing Minor’s Addiction to Online Games (《關於防止未成年人沉迷網絡遊戲的通知》), which requires all online gamers to register accounts with their valid identity information and all game companies to stop providing game services to users who fail to do so. Furthermore, minors are prohibited from playing games exceeding a certain period of time per day or putting money into their accounts exceeding a certain amount.

On October 17, 2020, the Standing Committee of the National People’s Congress revised and promulgated the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法》), which took effect on June 1, 2021. Law of the PRC on the Protection of Minors (2020 Revision) added a new section entitled “Online Protections” which stipulates a series of provisions to further protect minors’ interests on the internet, among others, (i) online product and service providers are prohibited from providing minors with products and services that would induce minors to indulge, (ii) online service providers for products and services such as gaming, live streaming, audio-video, and social networking are required to establish special management systems of user duration, access authority and consumption for minors, (iii) online gaming service providers must request minors to register and log into online games with their valid identity information, (iv) online gaming service providers must categorize games according to relevant rules and standards, notify users about the appropriate ages for the players of the games, and take technical measures to keep minors from accessing inappropriate games or gaming functions, and (v) online gaming service providers may not provide online game services to minors from 10:00 P.M. to 8:00 A.M. the next day.

Weimeng has been actively communicating with the relevant government authority for the application of an internet publishing permit. We have adopted our own anti-fatigue and real name registration systems.

REGULATIONS ON BROADCASTING AUDIO/VIDEO PROGRAMS THROUGH THE INTERNET

On December 20, 2007, the State Administration for Radio, Film and Television and the MIIT jointly issued the Rules for the Administration of Internet Audio and Video Program Services (《互聯網視聽節目服務管理規定》), commonly known as Circular 56, which came into effect as of January 31, 2008 and was later amended in 2015. Circular 56 reiterates the requirement set forth in the earlier rules that online audio/video service providers must obtain an internet audio/video program transmission license from the State Administration for Radio, Film and Television. Furthermore, Circular 56 requires all online audio/video service providers to be either wholly state-owned or state-controlled companies. According to relevant official answers to press questions published on the website of State Administration for Radio, Film and Television on February 3, 2008, officials from the State Administration for Radio, Film and Television and the MIIT clarified that online audio/video service providers that already had been operating lawfully prior to the issuance of Circular 56 may re-register and continue to operate without becoming state-owned or controlled, provided that such providers have not engaged in any unlawful activities. This exemption will not be granted to online audio/video service providers established after Circular 56 was issued. These policies have been reflected in the Application Procedure for Audio/Video Program Transmission License. Failure to obtain

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the internet audio/video program transmission license may subject an online audio/video service provider to various penalties, including fines of up to RMB30,000, seizure of related equipment and servers used primarily for such activities and even suspension of its online audio/video services.

On December 16, 2016, the State Administration of Press, Publication, Radio, Film and Television of the PRC (SAPPRFT) issued the Rules for the Administration of Video and Audio Programs on Weibo, WeChat and other Social Media Platforms (《關於加強微博、微信等網絡社交平臺傳播視聽節目的管理規定》), or Circular 196. Circular 196 requires that any organizations that provide online streaming through social media platforms such as Weibo or WeChat should obtain an internet audio/video program transmission license. For organizations and individuals that do not hold license, the hosting social networking platform shall be responsible for supervising the content of the posted programs, and the scope of the programs must not exceed the scope stated on the platform's audio/video program transmission license. Similarly, film and TV dramas broadcasted through social media are required to obtain a license for public airing, and social media platforms are not allowed to repost user-generated video or audio programs featuring political news.

On November 18, 2019, the CAC, the Ministry of Culture and Tourism and the NRTA, jointly issued the Administrative Provisions on Online Audio-Visual Information Services (《網絡音視頻信息服務管理規定》), effective from January 1, 2020, which provides that online audio-visual information service providers are the principals responsible for information content security management, and should, among other things, establish and improve their internal policies in relation to user registration, scrutiny of information publication, and information safety management. Organizations and individuals are prohibited from using online audio-visual information services and related information technology to carry out illegal activities and infringe legal rights and interests of others. The Provisions further set out requirements for utilization of new applications driven by new technology (such as deep learning and virtual reality) to produce, publish and disseminate audio-visual information, for example, audio-visual information service providers are required to conduct safety evaluation, identify and label fraudulent audio-visual information, and to defeat rumors, false news and content violating user agreements.

REGULATIONS ON PRODUCING AUDIO/VIDEO PROGRAMS

On July 19, 2004, the SARFT promulgated the Administrative Measures on the Production and Operation of Radio and Television Programs (《廣播電視節目製作經營管理規定》), effective as of August 20, 2004 and amended in 2015, 2018 and 2020. These Measures provide that anyone who wishes to produce or operate radio or television programs must first obtain an operating permit. Applicants for this permit must meet several criteria, including having a minimum registered capital of RMB3.0 million. Weimeng holds a permit for radio and television program production and operation, with a permitted scope encompassing production of animated programs, features programs and television entertainment programs, valid through October 29, 2022.

On January 9, 2019, China Network Audio-Visual Program Service Association issued the Detailed Rules for Reviewing Network Short Video Contents (《網絡短視頻內容審核標準細則》), setting out 100 types of contents that are restricted from short-video programs.

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REGULATIONS ON ONLINE LIVE STREAMING SERVICES

On November 4, 2016, the CAC promulgated the Regulations on the Administration of Online Live streaming Services (《互聯網直播服務管理規定》), or the Online Live streaming Regulations, which became effective on December 1, 2016.

The Online Live streaming Regulations provides that online live streaming service providers and distributors must legally obtain the qualification for internet news information services before providing such services on the internet, and engage in online news information services to the licensed extent. Online live streaming service providers must review all live internet news information and interactions before publishing them, and set up their “chief editor” position if they provide live streaming services of internet news information. The Online Live streaming Regulations also stipulate that online live streaming service providers must carry out their subject responsibility, arrange professionals commensurate with its service size, establish and improve various management systems, and have the technical capability to immediately cut online live streaming, and its technical plans shall comply with relevant national standards. In addition, online live streaming service providers must conduct graded and categorized management according to the content category and user scale of online live streaming, and establish a credit rating management system for online live streaming distributors as well as a blacklist management system.

On December 2, 2016, the Ministry of Culture issued the Administrative Measures for Business Activities of Online Performances (《網絡表演經營活動管理辦法》), which took effect on January 1, 2017, and provide that the online performances must not involve six types of content, such as “those infringing upon others’ legitimate rights and interests by taking candid photographs or using a hidden recorder.” Entities engaging in online performances must require and verify the registration of performers with their own valid IDs and real names. Moreover, the Measures stress that entities engaging in online performances must improve their own user registration systems, maintain the information provided by users for registration, and take active actions to safeguard the safety of users’ information.

On August 1, 2018, the CAC and the other five PRC governmental authorities jointly issued the Circular on Tightening the Administration of Online Live streaming Services (《關於加強網絡直播服務管理工作的通知》), or the Online Live streaming Services Circular, which specifies respective duties of online live streaming service providers, network access service providers and application stores, aiming to prompt relevant internet-based enterprises to fulfill their responsibilities. The Online Live streaming Services Circular provides that an online live streaming service provider must make a record filing with the competent telecommunications authority as an internet content provider (ICP). Online live streaming service providers are also required to apply for a permit with the local authorities if it engages in telecommunications business, livestreaming business for internet news information, online performance, and/or online visual-audio programs. Online live streaming service providers must make record filings with the local public security authorities within 30 days after live streaming services have been published on the internet. In addition, online live streaming service providers are required to implement real name verification system for users, intensify administration of online anchors, establish blacklist system for online anchors, optimize the system of watching and censoring livestreamed content for regulatory purposes, and improve measures to better respond to harmful content.

On November 6, 2020, the SAMR issued the Guidelines on Strengthening Supervision of Online Live streaming Marketing Activities (《市場監管總局關於加強網絡直播營銷活動監管的指導意見》), pursuant to which a network platform will assume the responsibility and obligation as an e-commerce platform operator according to the E-Commerce Law; provided

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that this platform provides operators, who sell goods or provide services via internet live streaming, with services such as internet operation place, transaction matchmaking and information publication in order for the transaction parties to independently complete their transaction activities.

On November 12, 2020, the NRTA issued the Notice on Strengthening the Management of Online Show Live streaming and E-commerce Live streaming (《國家廣播電視總局關於加強網絡秀場直播和電商直播管理的通知》), pursuant to which live streaming platforms for online shows are requested to strengthen positive value guidance and enable those tasteful, meaningful, interesting and warm live streaming programs to have good traffic, and to prevent the spread of the trends of wealth flaunting, money worshiping and vulgarity. Notice 78 requests the live streaming platforms for online shows and e-commerce to register in the National Internet Audio-Visual Platforms Information Management System, and we have completed such registration as requested, which was valid until May 1, 2021 and currently under the annual renewal process. In addition, the number of content reviewers a platform is required to keep must in principle be no less than 1:50 of the number of live streaming rooms. Live streaming platforms for online shows need to manage the hosts and users making virtual gifting based on the real-name registration system, and users who have not registered with real names or who are minors are prohibited from virtual gifting. The live streaming platforms are required to implement real-name registration system by real-name verification, face recognition, manual review and other measures to prevent minors from virtual gifting. The platform shall limit the maximum amount of rewards each user may give per time, day and month. Live streaming platforms for e-commerce shall not illegally produce and broadcast, beyond their business scope of e-commerce, any commentary programs unrelated to sales of goods.

According to the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法》), which took effect on June 1, 2021, among others, live streaming service providers are not allowed to provide minors under age 16 with online live streaming publisher account registration service, and must obtain the consent from parents or guardians and verify the identity of the minors before allowing minors aged 16 or above to register live streaming publisher accounts.

On October 8, 2021, the National Development and Reform Commission issued a discussion draft of the Negative List for Market Access (2021 Version) (市場准入負面清單(2021年版)(徵求意見稿)), which provides that, among others, non-state-capitalized entities shall not engage in live streaming of political, economic, military, diplomatic, major social, cultural, scientific and technological, health, education, sports and other activities and events related to political direction, public opinion orientation and value orientation. The scope of live streaming business under this list is relatively broad and vague, and is subject to further clarifications and interpretations by the regulator.

REGULATIONS ON ONLINE MUSIC

On November 20, 2006, the Ministry of Culture issued Several Suggestions of the Ministry of Culture on the Development and Administration of Internet Music (《網絡音樂發展和管理的若干意見》), which became effective immediately upon its issuance. These suggestions, among other things, reiterate the requirement for an internet service provider to obtain an internet culture business permit to carry out any business relating to internet music products. In addition, foreign investors are prohibited from operating internet culture businesses. However, the laws and regulations on internet music products are still evolving, and there have not been any provisions stipulating whether or how music videos will be regulated by these suggestions.

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On August 18, 2009, the Ministry of Culture promulgated the Notice on Strengthening and Improving the Content Review of Online Music (《文化部關於加強和改進網絡音樂內容審查工作的通知》). According to this notice, only “internet culture operating entities” approved by the Ministry of Culture may engage in the production, release, dissemination (including providing direct links to music products) and importation of online music products. On October 23, 2015, the Ministry of Culture promulgated the Circular on Further Strengthening and Improving the Administration of Content of Online Music (《關於進一步加強和改進網絡音樂內容管理工作的通知》), which became effective on January 1, 2016. According to the Circular, the content of online music shall be reviewed by or filed with the Ministry of Culture. Internet culture operating entities should establish a strict self-monitoring system of online music content and set up a special department in charge of such monitoring. Weimeng has obtained an Online Culture Operating Permit, the scope of which covers online music operations.

REGULATIONS ON INTERNET NEWS DISSEMINATION

On April 28, 2015, the CAC issued the Provisions on the Questioning Procedures for Internet News Service Providers (《互聯網新聞信息服務單位約談工作規定》), or the Provisions. The Provisions provide the CAC and its local branches with a formal procedure for bringing in key personnel from internet news service providers for questioning as well as giving oral warnings, identifying problems and ordering rectifications in certain circumstances specified in the Provisions such as the failure to deal with illegitimate information in a timely fashion and when circumstances are severe. If the CAC or its local branches orders an internet news service provider to rectify a problem through the questioning procedures and it fails to do so, then the internet news service provider may be subject to administrative action including a written warning, fine, temporary suspension of operations or the revocation of licenses. Internet news service providers are also subject to enhanced penalties for several violations under the questioning procedures. Additionally, the CAC and its local branches may publicize information related to the questioning procedures that it conducted against internet news service providers under the Provisions. The Provisions took effect on June 1, 2015.

On May 2, 2017, the CAC issued the Administrative Provisions for Internet News Information Services (《互聯網新聞信息服務管理規定》), or the New Provisions, which became effective on June 1, 2017. The New Provisions replace the Provisions for the Administration of Internet News Information Services promulgated by the SCIO and the MII in 2005, and are intended to help solidify the CAC’s jurisdiction over internet news information services. The New Provisions require that internet websites, apps, forums, blogs, microblogs, official accounts, instant messaging tools, network-based broadcasts and other similar means that provide internet news information services obtain a permit for internet news information services. The New Provisions also broaden the scope of internet news information services to include (i) services of collecting, editing, and releasing internet news information; (ii) reposting such news information; and (iii) providing a platform to spread such news information. To apply for such a permit, the applicant must satisfy requirements set forth under the New Provisions, such as that it be a legal entity established in China and that its principal or chief editor be a Chinese citizen. In addition, all internet news providers are explicitly required to review and self-censor the content published by them and to take measures to cease transmission and remove content if inappropriate content is discovered, as well as maintain relevant records and report such matters to the competent regulators.

On October 8, 2021, the National Development and Reform Commission issued a discussion draft of the Negative List for Market Access (2021 Version) (市場准入負面清單(2021年版)(徵求意見稿)), which provides that, among others, non-state-capitalized entities shall not conduct the business of news collecting, editing, releasing and reporting. Weibo does not collect, edit,

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release or report news by itself. Weibo holds an Internet News and Information Service License, which allows it to provide the service of reposting news information and operating a platform to disseminate news information.

Weimeng provides a platform for our users to post news, current topics and social events and it has obtained an Internet News Publication License on July 30, 2019 for providing news republishing and broadcasting platform services, which is valid through July 29, 2022.

INTERNET MAPPING SERVICES

Under the Surveying and Mapping Law (《中華人民共和國測繪法》) promulgated by the National People’s Congress in 1992 and amended in 2002 and 2017, entities engaged in surveying and mapping services should obtain a surveying and mapping qualification certificate and comply with the state’s surveying and mapping criteria. According to the amended Administrative Rules of Surveying Qualification Certificate (《測繪資質管理規定》) and the amended Standard for Surveying Qualification Certificate (《測繪資質分類分級標準》) issued by the former National Administration of Surveying, Mapping and Geo-information, or NASMG in 2021, respectively, non-surveying and mapping enterprise is subject to the approval of the NASMG and requires a surveying and mapping qualification certificate to provide internet mapping services.

On November 26, 2015, the State Council enacted the Administrative Regulations on Maps (《地圖管理條例》), or the Maps Regulations, effective as of January 1, 2016. The Maps Regulations requires entities engaging in internet mapping services, such as geographic positioning, the uploading of geographic information or markings, and the development of a public map database, to obtain a relevant qualification certificate for surveying and mapping. The Maps Regulations require entities engaging in online map services to use mapping data approved by the relevant governmental authorities, host servers storing map data within the PRC, and establish a management system as well as protection measures for the data security of the online maps. The mapping data must not contain any content prohibited by the Maps Regulations, and no entities or individuals are allowed to upload or mark such prohibited content online. Further, entities engaging in internet mapping services shall keep confidential any information involving state secrets and trade secrets acquired during their work.

Weimeng holds a surveying and mapping qualification certificate (Class B) issued by Beijing Municipal Commission of Planning and Natural Resources, valid through October 11, 2026.

REGULATIONS ON INTERNET DRUG INFORMATION SERVICES

According to the Provisions on the Administration of Internet Drug Information Services (《互聯網藥品信息服務管理辦法》), promulgated by the State Food and Drug Administration and most recently amended in November 2017, an enterprise publishing drug-related information must obtain a qualification certificate from the provincial-level food and drug administration before it applies for the ICP license or files with the MIIT or its local provincial-level counterpart. An ICP service operator that provides information regarding drugs or medical devices must obtain an Internet Drug Information Service Qualification Certificate from the applicable provincial level administrative authority. We have obtained the Internet Drug Information Service Qualification Certificate for the drug-related information available on our platform, including information from those using our platform to promote their products and services and drug-related information shared on our platform.

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REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

China has adopted legislation governing intellectual property rights, including trademarks, patents and copyrights. China is a signatory to the major international conventions on intellectual property rights and became 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. The Patent Law (《中華人民共和國專利法》) was adopted in 1984 and amended in 1992, 2000, 2008 and 2020. The amended version in 2020 came into effect on June 1, 2021. The purpose of the Patent Law is to protect lawful interests of patent holders, encourage invention, foster applications of invention, enhance innovative capabilities and promote the development of science and technology. To be patentable, invention or utility models 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, nuclear transformation method and substances obtained by the method of nuclear transformation or a design which has major marking effect on the patterns or colors of graphic print products or a combination of both patterns and colors. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a term of twenty years in the case of an invention and a term of ten years in the case of utility models and a term of fifteen years in the case of designs. A third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of patent rights.

We have registered 193 patents and applied for 218 patents with the PRC State Intellectual Property Office as of June 30, 2021.

Copyright. The Copyright Law (《中華人民共和國著作權法》) was adopted in 1990 and amended in 2001, 2010 and 2020. The amended version in 2020 came into effect on June 1, 2021. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. The amended Copyright Law also requires registration of a copyright pledge.

According to the Copyright Law, an infringer will be subject to various civil liabilities, which include stopping the infringement, eliminating the damages, apologizing to the copyright owners and compensating the losses of copyright owners. The Copyright Law further provides that the infringer must compensate the actual loss suffered by the copyright owner. If the actual loss of the copyright owner is difficult to calculate, the illegal income received by the infringer as a result of the infringement will be deemed as the actual loss or if such illegal income is also difficult to calculate, the court can decide the amount of the actual loss up to RMB5,000,000.

To address the problem of copyright infringement related to the content posted or transmitted over the internet, the National Copyright Administration and the MIIT jointly promulgated the Measures for Administrative Protection of Copyright Related to the Internet (《互聯網著作權行政保護辦法》) in 2005.

The Protection of the Right of Communication through Information Networks (《信息網絡傳播權保護條例》) was promulgated by the State Council in 2006 and amended in 2013. Under this regulation, with respect to any information storage space, search or link services provided by an internet service provider, if the legitimate right owner believes that the works, performance or audio or video recordings pertaining to that service infringe his or her rights of communication, the right owner may give the internet service provider a written notice

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containing the relevant information along with preliminary materials proving that an infringement has occurred, and requesting that the internet service provider delete, or disconnect the links to, such works or recordings. The right owner will be responsible for the truthfulness of the content of the notice. Upon receipt of the notice, the internet service provider must delete or disconnect the links to the infringing content immediately and forward the notice to the user that provided the infringing works or recordings. If the written notice cannot be sent to the user due to the unknown IP address, the contents of the notice shall be publicized via information networks. If the user believes that the subject works or recordings have not infringed others' rights, the user may submit to the internet service provider a written explanation with preliminary materials proving non-infringement, and a request for the restoration of the deleted works or recordings. The internet service provider should then immediately restore the deleted or disconnected content and forward the user's written statement to the right owner.


Under the Civil Code of the PRC (《中華人民共和國民法典》) effective from January 1, 2021, both internet users and internet service providers may be liable for the wrongful acts of users who infringe the lawful rights of other parties. If an internet user utilizes internet services to commit a tortious act, the party whose rights are infringed may request the internet service provider to take measures, such as removing or blocking the content, or disabling the links thereto, to prevent or stop the infringement. If the internet service provider does not take necessary measures after receiving such notice, it shall be jointly liable for any further damages suffered by the rights holder. Furthermore, if an internet service provider fails to take necessary measures when it knows that an internet user utilizes its internet services to infringe the lawful rights and interests of other parties, it shall be jointly liable with the internet user for damages resulting from the infringement.

To address issues related to the hearing of civil disputes concerning the infringement of the right of communication through information networks, the PRC Supreme People's Court issued the Provisions on Several Issues Concerning the Application of Law in Hearings of Civil Dispute Cases on the Infringement of Information Networking Transmission Rights (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》), which took effect as of January 1, 2013 and was amended in 2020. This document provides more detailed guidance as to the circumstances in which the provision by network users or network service providers of other's works, performances, and audio or video products without permission from the rights owner constitutes infringement of information network transmission rights. This document provides that internet service providers will be jointly liable if they assist in infringing activities or fail to remove infringing content from their websites once they know of the infringement or receive notice from the rights holder. This document also provides that where a network service provider obtains economic advantage directly from the works, performances, and sound or visual recordings provided by the network service provider, it must pay close attention to infringement of network information transmission rights by network users.

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

In compliance with, and in order to take advantage of, the above rules, we have registered 302 software copyrights as of June 30, 2021.

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Trademark. The Trademark Law (《中華人民共和國商標法》), adopted in 1982 and revised in 1993, 2001, 2013 and 2019, protects registered trademarks. The 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 that 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 must not prejudice the existing right of others obtained by priority, nor may any person register in advance a trademark that has already been used by another person and has already gained a “sufficient degree of reputation” through that person’s use. After receiving an application, the Trademark Office, which is under the National Intellectual Property Administration and handles trademark registration affairs in China, will make a public announcement if the relevant trademark passes the preliminary examination. Within three months after such public announcement, any person may file an objection against a trademark that has passed a preliminary examination. The PRC Trademark Office’s decisions on rejection, objection or cancellation of an application may be appealed to the National Intellectual Property Administration, whose decision may be further appealed through judicial proceedings. If no objection is filed within three months after the public announcement period or if the objection has been overruled, the PRC Trademark Office will approve the registration and issue a registration certificate, at which point the trademark is deemed to be registered and will be effective for a renewable ten-year period, unless otherwise declared invalid or revoked. The licensor shall file the trademark licensing with the Trademark Office for record. The licensing of a trademark that has not been filed for record may not be used against a bona fide third party. “新浪微博” and “ 新浪微博” are registered trademarks of SINA’s subsidiaries in China and are exclusively licensed to us for use.

Domain Names. On August 24, 2017, the MIIT promulgated the Measures for Administration of Domain Names (《互聯網域名管理辦法》) to replace the Measures for Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名註冊暫行管理辦法》). These measures regulate the registration of domain names, including the domain name “.CN”. On November 27, 2017, the MIIT promulgated the Notice on Regulating the Use of Domain Names in Providing Internet-based Information Services (《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 this 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 executive. We have registered domain names including weibo.com, weibo.cn, and weibo.com.cn.

Anti-unfair Competition. Under the Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), effective in 1993 and revised in 2017 and 2019, a business operator is prohibited from carrying out acts intending to cause confusion, which would mislead others into thinking that its products belong to another party or that there is an association with another party, by:

- using without permission, a mark that is identical with or similar to product names, packaging or decoration of others with a certain degree of influence;
- using without permission, the name of an enterprise, a social organization or an individual with a certain degree of influence;
- using without permission, the main element of a domain name, website name or webpage with a certain degree of influence;

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- carrying out confusing acts that are intended to mislead others into thinking that a product belongs to another party or there is an affiliation with another party.

REGULATIONS ON FOREIGN EXCHANGE

Under the 2008 Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》), if documents certifying the purposes of the conversion of RMB into foreign currency are submitted to the relevant foreign exchange conversion bank, the RMB will be convertible for current account items, including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions. Conversion of RMB for capital account items, such as direct investment, loans, securities investment and repatriation of investment, however, is subject to the approval of SAFE or its local counterparts.

Under the 1996 Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), foreign-invested enterprises may only buy, sell and/or remit foreign currencies at banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from SAFE or its local counterparts. Capital investments by PRC entities outside of China, after obtaining the required approvals from the relevant approval authorities, such as the Ministry of Commerce and the National Development and Reform Commission or their local counterparts, are also required to register with SAFE or its local counterparts.

SAFE promulgated a circular on November 19, 2012, or Circular No. 59 (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), which tightens the examination on the authenticity of settlement of [REDACTED] from an [REDACTED] and requires that the settlement of [REDACTED] shall be in accordance with the description in its [REDACTED].

On March 30, 2015, the SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which became effective on June 1, 2015. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or elect to follow the "conversion-at-will" regime of foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will regime of foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its RMB registered capital converted from foreign currencies. According to SAFE Circular 19, such Renminbi capital may be used at the discretion of the foreign-invested enterprise and the SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards.

On June 9, 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which became effective on the same day. Pursuant to SAFE Circular 16, enterprises registered in China may convert their foreign debts from foreign currency to RMB on discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a

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company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted RMB shall not be provided as loans to its non-affiliated entities, or used for construction and purchase of non-self-used real estate (excluding real estate enterprises) or unless otherwise expressly provided in law, directly or indirectly used in securities investment or other financial management excluding the bank capital preservation products. As SAFE has not provided detailed guidelines with respect to its interpretation or implementation, it is uncertain how these rules will be interpreted and implemented.

On October 23, 2019, SAFE issued the Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment, or SAFE Circular 28, which, among other things, allows all foreign-invested companies to use RMB converted from foreign currency-denominated capital for equity investments in China, for so long as there is a truthful equity investment, and such equity investment does not violate applicable laws and does comply with the negative list on foreign investment.

In utilizing the [REDACTED], we received from our [REDACTED] or debt financings, as an offshore holding company with a PRC subsidiary, we may (i) make additional capital contributions to our PRC subsidiaries, (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (iii) make loans to our PRC subsidiaries, or (iv) acquire offshore entities with business operations in China in offshore transactions. However, most of these uses are subject to PRC regulations and/or approvals. For example, loans by us to our PRC subsidiaries, which are foreign-invested enterprises, to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local branches.

REGULATIONS ON EMPLOYEE STOCK OPTIONS PLANS

In 2006, the People’s Bank of China promulgated the Administrative Measures of Foreign Exchange Matters for Individuals (《個人外匯管理辦法》), setting forth the respective requirements for foreign exchange transactions by individuals (both PRC and non-PRC citizens) under either the current account or the capital account. SAFE issued implementing rules for these measures in 2007 that specified approval requirements for certain capital account transactions, such as a PRC citizen’s participation in employee stock ownership plans or share option plans of an overseas publicly listed company. In 2007, SAFE promulgated the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Listed Companies (《境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程》). In 2012, SAFE promulgated the Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) to replace the former procedures. The new notice simplifies the requirements and procedures for the registration of stock incentive plan participants, especially with respect to the required application documents and the absence of strict requirements on offshore and onshore custodian banks, as were stipulated in the former procedures. The purpose of both the former procedures and the new notice is to regulate the foreign exchange administration of PRC resident individuals who participate in employee stock holding plans or share option plans of overseas listed companies.

Under these rules, for PRC resident individuals who participate in stock incentive plans of overseas publicly listed companies, which includes employee stock ownership plans, stock option plans and other incentive plans permitted by relevant laws and regulations, a PRC domestic qualified agent or the PRC subsidiary of such overseas listed company must, among other things, file on behalf of such resident an application with SAFE or its local counterpart

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to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock holding or exercise of share options, as PRC residents may not directly use overseas funds to purchase shares or exercise share options. In addition, within three months after any substantial changes to any such stock incentive plan, including for example, any changes due to a merger or acquisition or changes to the domestic or overseas custodian agent, the domestic agent must update the registration with SAFE.

Under the Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》), as amended in 2008, the foreign exchange proceeds of domestic entities and individuals can be remitted into China or deposited abroad, subject to the terms and conditions to be issued by SAFE. However, the implementing rules with respect to depositing foreign exchange proceeds abroad have not been issued by SAFE. The foreign exchange proceeds from the sales of shares can be converted into RMB or transferred to such individuals' foreign exchange savings account after the proceeds have been remitted back to the special foreign exchange account opened at the PRC domestic bank. If share options are exercised in a cashless exercise, the PRC domestic individuals are required to remit the proceeds to special foreign exchange accounts.

Many issues with respect to the new notice require further interpretation. We and our PRC employees who have participated in an employee stock ownership plan or share option plan are subject to the new notice. If we or our PRC employees fail to comply with the new notice, we and our PRC employees may face sanctions imposed by the PRC foreign exchange authority or any other PRC government authorities, including restrictions on foreign currency conversions and additional capital contributions to our PRC subsidiaries.

In addition, the State Administration of Taxation has issued circulars concerning employee share options. Under these circulars, our employees working in China who exercise share options will be subject to PRC individual income taxes. Our PRC subsidiaries have obligations to file documents related to employee share options with the relevant tax authorities and withhold individual income taxes of employees who exercise their share options.

LABOR LAWS AND SOCIAL INSURANCE

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) and the PRC Labor Contract Law (《中華人民共和國勞動合同法》), employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative liabilities. Criminal liability may arise for serious violations.

In addition, according to the PRC Social Insurance Law (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), employers in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

To comply with these laws and regulations, we have caused all of our full-time employees to enter into labor contracts and provide our employees with the proper welfare and employment benefits. If we are made subject to severe penalties or incur significant liabilities in connection with labor disputes or investigations, our business and results of operations may be adversely affected.

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REGULATIONS ON CONCENTRATION IN MERGER AND ACQUISITION TRANSACTIONS

The M&A Rules (《關於外國投資者並購境內企業的規定》) established procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. The M&A Rules require, among other things, that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor will take control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings (《國務院關於經營者集中申報標準的規定》) issued by the State Council on August 3, 2008 and amended on September 18, 2018 are triggered. On February 7, 2021, the Anti-monopoly Commission of the State Council officially promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms (《關於平台經濟領域的反壟斷指南》), which reinforces antitrust merger review for internet platform related transactions and clarifies at the first time the filing procedures is applicable to the transactions involving variable interest structures.

Complying with these requirements could affect our ability to expand our business or maintain our market share.