REGULATIONS RELATED TO FOREIGN INVESTMENT IN THE PRC

Foreign Investment Industrial Policy

Investments activities in China by foreign investors are principally governed by the Guidance Catalog for the Encouraged Foreign Investment Industries (2020 Edition) (《鼓勵外商投資產業目錄》(2020年版)) (the "**Catalog**") and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition) (外商投資准入特別管理措施（負面清單）（2020年版）) (the "**Negative List**"), which were both promulgated by the MOFCOM and the NDRC and each became effective on January 27, 2021 and July 23, 2020, respectively. The Negative List sets out the industries in which foreign investments are prohibited or restricted. Foreign investors would not be allowed to make investments in prohibited industries, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. According to the Negative List and the Catalogue, the proportion of foreign investments in entities engaged in value-added telecommunications business (except for electronic commerce, domestic multi-party communication, store-and-forward, and call center) shall not exceed 50% and the operation of internet culture business (excluding music) remains as prohibited areas for foreign investment.

Foreign Investment Law and the Implementation Measures

On March 15, 2019, the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (the "**SCNPC**") enacted the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which came into effect on January 1, 2020. The Foreign Investment Law has replaced the previous major laws and regulations governing foreign investment in the PRC, including the Sino-foreign Equity Joint Ventures Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》). According to the Foreign Investment Law, "foreign-invested enterprises" refers to enterprises that are wholly or partly invested by foreign investors and registered under the PRC laws within China, and "foreign investment" refers to any foreign investor's direct or indirect investment activities in China, including: (i) establishing foreign-invested enterprises in China either individually or jointly with other investors; (ii) obtaining stock shares, equity shares, shares in properties or other similar interests of Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) investing through other methods provided by laws, administrative regulations or provisions prescribed by the State Council.

On December 26, 2019, the State Council issued Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementation Rules**") which also came into effect on January 1, 2020, and replaced the Implementing Rules of the Sino-foreign Equity Joint Ventures Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), the Implementing Rules of the Sino-foreign Cooperative Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法實施條例》) and the Implementing Rules of the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施條例》). According to the Implementation Rules, in the event of any discrepancy between the Foreign Investment Law, the Implementation Rules and the relevant provisions on foreign investment promulgated prior to January 1, 2020, the Foreign Investment Law and the Implementation Rules shall prevail. The Implementation Rules also set forth that foreign investors that invest in sectors on the Negative List in which foreign investment is restricted shall comply with special management measures with respect to, among others, shareholding and senior management personnel qualification in the Negative List. Pursuant to the Foreign Investment Law and the Implementation Rules, the existing foreign-invested enterprises established prior to the effective date of the Foreign Investment Law are allowed to keep their corporate organization forms for five years from the effectiveness of the Foreign Investment Law before such existing foreign-invested enterprises change their organization forms and organization structures in accordance with the PRC Company Law (《中華人民共和國公司法》), the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》) and other applicable laws.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation (the "**SAMR**") jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》),

which came into effect on January 1, 2020, and has replaced the Interim Measures for the Administration of Record-filling on the Establishment and Changes in Foreign-Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Foreign investors or foreign-invested enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System (企業登記系統) and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the "**Office of the Working Mechanism**") will be established under the NDRC who will lead the task together with the MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to (i) the investments in the military industry, military industrial supporting and other fields relating to the security of national defense, and investments in areas surrounding military facilities and military industry facilities; and (ii) investments in important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transport services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise. "Control" as contemplated in item (ii) of the preceding sentence exists when the foreign investor (a) holds over 50% equity interests in the target enterprise, (b) has voting rights that can materially impact on the resolutions of the board of directors or shareholders meeting of the target enterprise even when it holds less than 50% equity interests in the target, or (c) has material impact on the target enterprise's business decisions, human resources, accounting and technology.

REGULATIONS RELATED TO VALUE-ADDED TELECOMMUNICATION SERVICES

Licenses for Value-added Telecommunications Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**"), promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016, provides a regulatory framework for telecommunications services providers in China. The Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalog of Telecommunications Business (《電信業務分類目錄》), attached to the Telecommunications Regulations, which was promulgated by the Ministry of Information Industry of the PRC (the "**MII**", which is the predecessor of the MIIT) on February 21, 2003 and last amended on June 6, 2019, information services provided via fixed network, mobile network and Internet fall within value added telecommunications services. According to the Telecommunications Regulations, a commercial telecommunications service provider in China shall obtain an operating license from the MII or its provincial-level counterparts.

On March 1, 2009, the MIIT issued the Administrative Measures for Value-added Telecommunications Business Operation Permit (《電信業務經營許可管理辦法》) (the "**Telecom Permit Measures**"), which was amended on July 3, 2017. The Telecom Permit Measures confirm that there are two types of telecom operating licenses for operators in China, namely, licenses for basic telecommunications services and value-added telecommunications business operation license (the "**VATS License**"). The operation scope of the license will detail the permitted activities of the enterprise to which it was granted. An approved telecommunication services operator shall conduct its business in accordance with the specifications listed in its VATS License. In addition, the holder of a VATS License is required to obtain approval from the original permit-issuing authority in respect of any change to its shareholders.

On September 25, 2000, the State Council promulgated the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the "**Internet Information Measures**"), which was

amended on January 8, 2011. According to the Internet Information Measures, commercial internet information services provider shall obtain a VATS License with the business scope of internet information service, namely Internet Content Provider License (the "**ICP License**"), from the relevant government authorities before engaging in any commercial internet information services operations within China. The provision of information services through mobile apps is subject to the PRC laws and regulations governing internet information services. Besides, the Internet Information Measures and other relevant measures also ban Internet activities that constitute publication of any content that, among others, propagates obscenity, pornography, gambling and violence, incites the commission of crimes or infringes upon the lawful rights and interests of third parties. If an internet information service provider detects information transmitted on their system that falls within the specifically prohibited scope, such provider must terminate such transmission, delete such information immediately, keep records and report to the governmental authorities in charge. Any internet information service provider's violation of these requirements will lead to the revocation of its ICP License and, in serious cases, the shutting down of its website.

On June 28, 2016, the State Internet Information Office promulgated the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) (the "**Mobile Application Administrative Provisions**"), which took effect on August 1, 2016, to strengthen the regulation of the mobile application information services. Pursuant to the Mobile Application Administrative Provisions, an internet application program provider must verify a user's mobile phone number and other identity information under the principle of mandatory real name registration at the back-end and voluntary real name display at the front-end. An internet application program provider must not enable functions that can collect a user's geographical location information, access user's contact list, activate the camera or recorder of the user's mobile smart device or other functions irrelevant to its services, nor is it allowed to conduct bundle installations of irrelevant application programs, unless it has clearly indicated to the user and obtained the user's consent on such functions and application programs. The Mobile Application Administrative Provisions also provided that the APP Store service providers shall file a report with the related local offices of CAC within 30 days after such services have been rolled out online for operation, and they are responsible for the management over the application providers as follows: (i) shall verify the authenticity, security and legality of application providers, establish the credit management system and file the record according to the category with relevant authorities; (ii) shall urge the application providers to protect users' information, provide a full description on the way APPs use to obtain and to use users' information and present the same to the users; (iii) shall urge the application providers to release lawful information contents, establish and perfect the security review mechanism, and designate certain number of professional staff in line with the service scale; and (iv) shall urge the application providers to release lawful applications, respect and protect the intellectual property rights of such application providers. For any application provider who violates any regulatory requirements, the APP Store service providers shall take such measures as warning, suspending the release or withdrawing the applications as the case may be, keep records and report such violation to the relevant competent authorities. In addition, the APP Store service providers shall enter into service agreements with the APP information service providers, formulating the rights and obligations of both parties.

On December 16, 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (《移動智能終端應用軟件預置和分發管理暫行規定》) (the "**Mobile Application Interim Measures**"), which took effect on July 1, 2017. The Mobile Application Interim Measures requires, among others, that internet information service providers must ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

The content of the internet information is highly regulated in China and pursuant to the Internet Information Measures, the PRC government may shut down the websites of ICP License holders and revoke their ICP Licenses if they produce, reproduce, disseminate or broadcast internet content that contains content that is prohibited by law or administrative regulations. Commercial internet information service operators are also required to monitor their websites. They may not post or disseminate any content that falls within the prohibited categories, and must remove any such content from their websites, save the relevant records and make a report to the relevant governmental authorities.

Restrictions on Foreign Investment

Foreign direct investment in telecommunications companies in China is governed by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which was promulgated by the State Council on December 11, 2001 and last amended February 6, 2016, which requires foreign-invested value-added telecommunications enterprises in China to be established as sino-foreign equity joint ventures, which the foreign investors may acquire up to 50% of the equity interests of such enterprise. In addition, the main foreign investor who invests in a foreign-invested value-added telecommunications enterprises operating the value-added telecommunications business in China must demonstrate a good track record and experience in operating a value-added telecommunications business, provided such investor is a major one among the foreign investors investing in a value-added telecommunications enterprise in China.

On July 13, 2006, the MII released the Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) (the "**MII Notice**"), pursuant to which, domestic telecommunications enterprises were prohibited to rent, transfer or sell a telecommunications business operation license to foreign investors in any form, or provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in China. In addition, under the MII Notice, the internet domain names and registered trademarks used by a foreign-invested value-added telecommunication service operator shall be legally owned by that operator (or its shareholders).

REGULATIONS ON ONLINE GAMES PUBLISHING AND OPERATION

Regulatory Authorities

Pursuant to the Notice on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation, Online Game and Comprehensive Law Enforcement in Culture Market in the "Three Provisions" jointly promulgated by the Ministry of Culture (the "**MOC**"), the State Administration of Radio Film and Television (the "**SARFT**") and the General Administration of Press and Publication (the "**GAPP**") (中央機構編制委員會辦公室關於印發《中央編辦對文化部、廣電總局、新聞出版總署＜"三定"規定＞中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋》的通知), issued by the State Commission Office for Public Sector Reform (a division of the State Council) and effective on September 7, 2009, the State Administration of Press, Publications, Radio, Film and Television (the "**SAPPRFT**"), the successor of the SARFT and the GAPP, will be responsible for the examination and approval of online games to be uploaded on the internet and that, after the online games are uploaded on the Internet, online games will be administered by the MOC.

Pursuant to the Circular on Implementation of the Newly Revised Interim Measures on the Administration of Internet Culture (關於實施新修訂《互聯網文化管理暫行規定》的通知) issued by the MOC on March 18, 2011, the authorities shall temporarily not accept applications by foreign invested internet information services providers for operation of internet culture businesses (other than music).

Pursuant to the revised Interim Measures on the Administration of Internet Culture (《互聯網文化管理暫行規定》) (the "**Internet Culture Measures**") issued by the MOC on December 15, 2017, "internet culture products" are defined as including the online games specially produced for internet and games disseminated or distributed through internet, and provision of internet culture products and related services for commercial purpose is subject to the approval of the provincial counterparts of the MOC.

In May 2019, the General Office of the Ministry of Culture and Tourism released the Notice on Adjusting the Scope of Examination and Approval regarding the "Internet Culture Operation License" to Further Regulate the Approval Work (關於調整《網絡文化經營許可證》審批範圍進一步規範審批工作的通知) (the "**Notice of Adjusting Examination Scope**"), which quotes the Regulations on the Function Configuration, Internal Institutions and Staffing of the MOCT (《文化和旅遊部職能配置、內設機構和人員編制規定》) and further specifies that the MOCT no longer assumes the responsibility for administering the industry of online games and

no longer approves and issues the Internet Culture Operation Licenses within the business scope of "operating online games via the internet," "operating online games via the internet (including the issuance of virtual currencies used for online games)" and "conducting trade of virtual currencies used for online games via the Internet", and a currently valid Internet Culture Operation License will remain valid until it expires. On July 10, 2019, the MOCT issued the Decision on the Abolition of the Interim Measures on Administration of Online Games and the Administrative Measures for Tourism Development Plan (關於廢止《網絡遊戲管理暫行辦法》和《旅遊發展規劃管理辦法》的決定) (the "**Abolition Decision**"). The Abolition Decision also cites the Regulations on the Function Configuration, Internal Institutions and Staffing of the Ministry of Culture and Tourism and further abolishes the Interim Measures on Administration of Online Games, which means that the MOCT will no longer regulate the industry of the online games. However, as of the Latest Practicable Date, it is still unclear as to whether the supervision responsibility of the MOCT will be transferred to another governmental department or whether such governmental department will raise similar or new supervision requirements for the operation of online games.

The Internet Culture Operation License held by QC Cultural expired in March 2021 and the Internet Culture Operation License held by QC Digital expired in August 2021. QC Cultural and QC Digital have continued their games operating business after the expiration of their Internet Culture Operation Licenses.

In September 2021, the Joint Sponsors, their PRC legal advisor and our PRC Legal Advisor conducted an interview with Fujian Provincial Department of Culture and Tourism (福建省文化和旅遊廳) during which it was confirmed that: (i) the MOCT and its counterparts no longer approve or issue any Internet Culture Operation License within the business scope of "operating online games via the internet," "operating online games via the internet (including the issuance of virtual currencies used for online games)" or "conducting trade of virtual currencies used for online games via the internet," (ii) in the absence of new laws, regulations, official guidelines or authorities that require us to obtain or renew our Internet Culture Operation Licenses upon their expiry, we can continue our game operation business without renewal of such licenses; and (iii) we will not be subject to any penalty if we continue our game operation business after the expiration of our Internet Culture Operation Licenses. Our PRC Legal Advisor is of the view, which the Joint Sponsors concur after consulting their PRC legal advisor, that Fujian Provincial Department of Culture and Tourism (福建省文化和旅遊廳) is the competent authority to provide above regulatory confirmations.

Based on public search of latest PRC laws, regulations and policies, and as advised by our PRC Legal Advisor, as of the Latest Practicable Date, we were not aware of any plans by the State Council or the state administrations to promulgate new laws or regulations or amend existing laws or regulations regarding which governmental authority would undertake the supervision responsibility of the MOCT in respect of the online game industry and whether and how the Internet Culture Operation Licenses can be renewed.

Both the internet publishing services (including the online game publishing) and internet culture operation (including the online game operation) fall within the prohibited categories in the Negative List. The Notice of the GAPP, the State Copyright Administration and National Anti-Pornography and Anti-Illegal Publications Working Group Office on Implementing the "Regulation on Three Provisions" of the State Council and the Interpretations Edited by the SCOPSR to Further Strengthen the Pre-Approval of Online Games and the Approval and Management of Imported Online Games (新聞出版總署、國家版權局、全國"掃黃打非"工作小組辦公室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) (the "**GAPP Notice**"), promulgated by the GAPP, together with the National Copyright Administration and the Office of the National Working Group for Crackdown on Pornographic and Illegal Publications, on September 28, 2009, provides, among other things, that foreign investors are not permitted to invest or engage in online game operations in China through wholly-owned subsidiaries, equity joint ventures or cooperative joint ventures, and expressly prohibits foreign investors from gaining control over or participating in domestic online game operations indirectly by establishing other joint venture companies, establishing contractual agreements or providing technical support. Serious violation of the GAPP Notice will result in suspension or revocation of relevant licenses and registrations.

Online Game Examination and Publishing

The Administrative Measures for Internet Publishing Services (《網絡出版服務管理規定》) (the "**Internet Publishing Measures**") were jointly promulgated by the SAPPRFT and the MIIT on February 4, 2016 and became effective on March 10, 2016. The Internet Publishing Measures imposed a license requirement for "internet publishing services", which refers to providing internet publications to the public through information networks, and "internet publications" refers to edited, produced or processed digital works that are provided to the public through information network, including, inter alia, games. The license requirement is that an entity shall, for the purpose of engaging in internet publishing services, be approved by publishing authorities and obtain the Internet Publishing Service License (網絡出版服務許可證).

According to the GAPP Notice, no online game without obtaining the prior approval of the GAPP may be published. The GAPP Notice, however, does not explicitly provide for monetary penalties for failure to obtain such prior approval.

According to the Internet Publishing Measures, before publishing an online game, an online publishing service provider shall file an application with the competent provincial counterpart of the SAPPRFT in the place where it is located and the application, if approved, shall be submitted to the SAPPRFT for approval. An online game shall not be launched without the prior approval of the SAPPRFT, otherwise the competent authority may confiscate all illegal income arising therefrom and impose a fine ranging from 5 times to 10 times of such illegal income, if the illegal income is more than RMB10,000, or up to RMB50,000, if the illegal income is not more than RMB10,000.

On May 24, 2016, the SAPPRFT promulgated the Notice on the Administration over Mobile Game Publishing Services (《關於移動遊戲出版服務管理的通知》) (the "**Mobile Game Notice**"), which became effective as of July 1, 2016. The Mobile Game Notice provides that game publishing services providers shall be responsible for examining the contents of their games and applying for game publication numbers (遊戲出版物號). An online game shall not be published without the prior approval of the SAPPRFT. For the purpose of the Mobile Game Notice, game publishing services providers refer to online publishing service entities that have obtained the Internet Publishing Service License from the SAPPRFT, with game publishing business included in their scope of business. To apply for publication of domestically-developed mobile games in the leisure and puzzle category that are not related to political, military, national or religious topics or contents and have no or simple story lines, entities, the game publishing service providers shall submit the required documents to competent provincial publishing administrative departments where it is located at least 20 working days prior to the expected date of online publication (public beta). Game publishing service providers applying for publication of domestically-developed mobile games that are not included in the above-mentioned category and mobiles games that are authorized by foreign copyright owners shall go through more stringent procedures, including submitting management accounts for content review and testing account for game anti-indulgence system. The game publishing services providers must set up a specific page to display the information approved by the SAPPRFT, including the copyright owner of the game, publishing service provider, approval number, publication number and others, and shall be responsible for examining and recording daily updates of the game. Concerning those mobile games (including pre-installed mobile games) that have been published and operated online before the implementation of this notice, other requirements apply to maintain the publication and operation of such games online, relevant approval procedures would have to be implemented by the game publishing service providers in coordination with the provincial publication administrative departments before October 1, 2016 as required by this notice. Otherwise, these mobile games shall cease to be published or operated online. Given the considerable amount of games that fail to obtain the pre-approval before launching in the industry, the Notice on Extending the Time Limit under the Notice on the Administration over Mobile Game Publishing Services(《關於順延<關於移動遊戲出版服務管理的通知>有關工作時限的通知》) promulgated by the SAPPRFT on September 19, 2016 further extended the above time limit for application of pre-approval from October 1, 2016 to December 31, 2016.

The Central Committee of the Communist Party of China issued the Plan for Deepening the Institutional Reform of the Party and State (《深化黨和國家機構改革方案》) and the National People's Congress adopted the

Institutional Reform Plan of the State Council (《國務院機構改革方案》) in March 2018 (collectively, the "**Institutional Reform Plans**"). According to the Institutional Reform Plans, the SAPPRFT was reformed and now known as the NRTA (國家廣播電視總局) which is a division of the State Council and the NPPA (NCA) (國家新聞出版署(國家版權局)) which is now a division of the Propaganda Department of the Central Committee of the CPC (中共中央宣傳部). Concurrently with the implementation of this reformation, the assessment and preapproval on domestic and foreign developed online games by GAPP had been suspended from April 2018 to December 2018 and resumed since December 2018.

Online Game Operation

On February 17, 2011, the MOC issued the revised Interim Provisions on the Administration of Internet Culture (《互聯網文化管理暫行規定》) (the **"Internet Culture Interim Provisions**"), which became effective on April 1, 2011 and was last revised on December 15, 2017 by the MOC. Pursuant to the Internet Culture Interim Provisions, "internet cultural products" are defined as including the online games specially produced for internet and games disseminated or distributed through internet. Provision of internet cultural products and related services for commercial purpose is subject to the approval of the provincial counterparts of the MOC.

On June 3, 2010, the MOC promulgated the Interim Measures on Administration of Online Games (《網絡遊戲管理暫行辦法》) (the "**Online Game Measures**"), which comprehensively regulate the activities related to online game business, including the research and development and production of online games, the operation of online games, the standards for online games content, the issuance of virtual currencies used for online games and virtual currency trading services. All operators of online games, issuers of virtual currency and providers of virtual currency trading services are required to obtain Internet Culture Operation Licenses. The Online Game Measures also requires online game operators to protect the interests of the online game players and specified certain terms that must be included in the service agreements between online game operators and its online game players. The Notice of the MOC on the Implementation of the Interim Measures for the Administration of Online Games (文化部關於貫徹實施《網絡遊戲管理暫行辦法》的通知) which was took effect on July 29, 2010 specifies the entities regulated by the Online Game Measures and procedures related to the MOC's review of the content of online games, and emphasizes the protection of minors playing online games and requests online game operators to promote real-name registration by their game players.

On July 10, 2019, the MOCT issued the Abolition Decision, which specifies that the Online Game Measures was abolished by the MOCT on July 10, 2019.

REGULATIONS ON VIRTUAL CURRENCY AND VIRTUAL ITEMS

On January 25, 2007, the Ministry of Public Security (the "**MPS**"), the MOC, the MII and the GAPP jointly issued the Notice on Regulating Operation Order of Online Games and Inspection and Prohibition of Gambling via Online Games (《關於規範網絡遊戲經營秩序查禁利用網絡遊戲賭博的通知》). To curtail online games that involve online gambling, the notice (i) prohibits online game operators form charging commissions in the form of virtual currency in connection with winning or losing games, (ii) requires online game operators to impose limits on use of virtual currency in guessing and betting games, (iii) bans the conversion of virtual currency into real currency or property, and (iv) prohibits services that enable game players to transfer virtual currency to other players.

On February 15, 2007, the Notice on Further Strengthening 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》) (the "**Online Games Notice**") was jointly issued by the MOC, the People's Bank of China and other governmental authorities with the goal of strengthening the administration of virtual currency in online games and to avoid any adverse impact on the PRC economy and financial system. The Online Games Notice imposes strict limits on the total amount of virtual currency issued by online game operators and the amount purchased by individual players and requires a clear division between virtual transactions and real transactions carried out by way of electronic commerce. The Online Games Notice further provides that virtual currency must only be used to purchase virtual items and prohibits any resale of virtual currency.

On June 4, 2009, the MOC and the MOFCOM jointly issued the Notice on Strengthening Administration of Virtual Currency of Online Games (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the "**Virtual Currency Notice**"). According to the Virtual Currency Notice, it defines the meaning of the term "virtual currency" and places a set of restrictions on the trading and issuance of virtual currency. The Virtual Currency Notice also states that online game operators are also not allowed to give out virtual items or virtual currency through lottery-base activities, such as lucky draws, betting or random computer sampling, in exchange for players' cash or virtual money.

According to the Notice on Regulating the Operations of Online Games and Strengthening Interim and Ex Post Regulation (《關於規範網絡遊戲運營加強事中事後監管工作的通知》) (the "**Interim and Ex Post Supervision Notice**") promulgated by the MOC on December 1, 2016, and effective from May 1, 2017, the virtual items, purchased by users directly with legal currency, by using the virtual currencies of online games or by exchanging the virtual currencies of online games according to a certain percentage and enabling users to directly exchange for other virtual items or value-added service functions in online games, shall be regulated pursuant to the provisions on virtual currencies of online games. Online game operators shall not provide users with services to exchange virtual currencies into legal currency or physical items. Where it provides users with the option to exchange virtual currencies into physical items of minor value, the contents and value of such physical items shall be in compliance with relevant laws and regulations of the State. The Interim and Ex Post Supervision Notice was abolished by the MOCT on August 19, 2019.

REGULATIONS ON REAL-NAME REGISTRATION AND ANTI-ADDICTION

Pursuant to the Online Game Measures and the Interim and Ex Post Supervision Notice, both of which were abolished on July 10, 2019 and August 19, 2019, respectively, online game operators shall require online game users to register their real names with valid identity documents, keep user's registration information, and shall not provide recharge or consumer services in-game for online game users who login in as visitors.

On April 15, 2007, eight PRC government authorities, jointly issued the Notice Regarding the Implementation of Anti-addiction System on Online Games in Protecting the Physical and Mental Health of Minors (《關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知》) (the "**Anti-addiction Notice**"), which requires the implementation of an anti-addiction compliance system by all PRC online game operators in an effort to curb addiction to online games by minors. Under the anti-addiction compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be "healthy", three to five hours is deemed "fatiguing", and five hours or more is deemed "unhealthy". Game operators are required to reduce the value of in-game benefits to a game player by half if it discovers that the amount of time a game player spends online has reached the "fatiguing" level, and to zero in the case of the "unhealthy" level.

To identify whether a game player is a minor and thus subject to the anti-addiction compliance system, a real-name registration system should be adopted to require online game players to register their real identity information before playing online games. Pursuant to Notice Regarding Commencement of Authentication of Real Names for Anti-addiction System on Online Games (《關於啟動網絡遊戲防沉迷實名驗證工作的通知》) (the "**Commencement of Real-name Authentication Notice**") issued by the relevant eight government authorities on July 1, 2011, online game (excluding mobile game) operators must submit the identity information of game players to the National Citizen Identity Information Center, for verification since October 1, 2011, in an effort to prevent minors from using an adult's ID to play online games. The most severe punishment contemplated by the Commencement of Real-name Authentication Notice requires termination of the operation of the online game if it is found in violation of the Anti-addiction Notice and the Commencement of Real-name Authentication Notice.

On July 25, 2014, the SAPPRFT issued the Notice Regarding Deepening Implementation of Authentication of Real Names for Anti-addiction System on Online Games (《關於深入開展網絡遊戲防沉迷實名驗證工作的通知》) (the "**Implementation of Real-name Authentication Notice**") and effected on October 1, 2014, which specify that subject to the hardware, technology and other factors, the anti-addiction compliance system applies to all online games excluding mobile games temporarily.

In August 2018, the Ministry of Education, National Health Commission, General Administration of Sport, the Ministry of Finance (the "**MOF**"), Ministry of Human Resources and Social Security, SAMR, GAPP, SARFT issued the Implementation Program on Comprehensive Prevention and Control of Juveniles Myopia (《綜合防控兒童青少年近視實施方案》), proposing to control the number of new online games, explore the age-appropriate prompting system in line with the national conditions and take measures to restrict the amount of time children spend on playing online games. On October 25, 2019, the NPPA issued the Notice on Preventing Minors from Indulging in Online Games (《關於防止未成年人沉迷網絡遊戲的通知》) which took effect on November 1, 2019. The Notice stipulates several requirements on the online game operation, including but not limited to: (i) all online game users shall register their game accounts with valid identity information; (ii) the time slot and duration for playing online games by minors shall be strictly controlled; (iii) the provision of paid services to minors shall be regulated; (iv) the regulation of the industry shall be enhanced and the requirements above shall be requisite for launching, publishing and operating online games; and (v) the development and implementation of an age-appropriate reminding system shall be explored. Online game companies shall analyze the cause of minors' addiction to games, and alter the content and features of games or game rules resulting in such addiction. The online game companies shall not provide paid services to minors under 8 years old. For minors between 8 and 16, the top-up amount shall not exceed RMB50 per time and the accumulative amount shall not exceed RMB200 per month; for players over 16 but below 18, the top-up amount shall not exceed RMB100 per time and the accumulative amount shall not exceed RMB400 per month.

On October 17, 2020, the SCNPC 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 (2020修訂)》), 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 online games, live broadcasting, audio-video, and social networking are required to establish special management systems of user duration, access authority and consumption for minors, (iii) online games service providers must request minors to register and log into online games with their valid identity information, (iv) online games 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 online games functions, and (v) online games service providers may not provide online games services to minors from 10:00 P.M. to 8:00 A.M. the next day.

On March 30, 2021, the Ministry of Education of the PRC issued the Notice on Further Strengthening Sleep Management of Primary and Secondary School Students (《關於進一步加強中小學生睡眠管理工作的通知》), which further stipulates the time slot for playing online games by minors, and moreover, requires local education authorities, jointly with the competent local authorities, to effectively strengthen the administration of online games, and conduct supervision by technical means to ensure no game service is provided for minors during a specified timeframe.

On August 30, 2021, the GAPP issued the Notice on Further Preventing Minors from Indulging in Online Games, which became effective on September 1, 2021. The Notice on Further Preventing Minors from Indulging in Online Games imposes stricter time limits for playing online games by minors and provides that online game operators may only provide online game services to minors on every Friday, Saturday, Sunday or PRC statutory holiday for one hour per day from 8:00 p.m. to 9:00 p.m. In addition, the Notice on Further Preventing Minors from Indulging in Online Games requires that all the online games must be connected to the real-name registration and game addiction prevention system of the GAPP, all the online game players must register or login in using authentic and valid identity information, and online game operators may not provide game services, in any manner (including in visitor experience mode), to any users who have not registered using their real names.

On October 20, 2021, six PRC government authorities jointly issued the Notice on Strengthening the Management of Preventing Primary and Middle School Students from Indulging in Online Games (關於進一步加強預防中小學生沉迷網絡遊戲管理工作的通知), which further stipulates that online game companies shall fulfill the requirements for real-name registration. Real-name registration information submitted by online game users

must be verified by the real-name verification system of the NPPA. Online game operators may only provide online game services to primary and middle school students on every Friday, Saturday, Sunday or PRC statutory holiday for one hour per day from 8:00 p.m. to 9:00 p.m.

REGULATIONS RELATING TO ADVERTISEMENT

The Advertisement Law of the PRC (《中華人民共和國廣告法》), which was last amended on October 26, 2018, requires advertisers, advertising operators and advertising distributors to ensure that the content of the advertisements they produce or distribute are true and in full compliance with applicable laws and regulations and the content of the advertisement shall not contains the prohibited information including but not limited to: (i) information harm the dignity or interests of the State or divulge the secrets of the State, (ii) information contain wordings such as "national level" "highest level" and "best", and (iii) information contain ethnic, racial, religious, sexual discrimination.

On July 4, 2016, the SAIC promulgated the Interim Measures on Internet Advertisement (《互聯網廣告管理暫行辦法》) (the "**Internet Advertisement Measures**") which became effective on September 1, 2016. The Internet Advertisement Measures regulates any advertisement published on the internet, including but not limited to, through websites, webpage and APPs, in the form of word, picture, audio and video and provides more detailed guidelines to the advertisers, advertising operators and advertising distributors. According to the Internet Advertisement Measures, internet information service providers must stop any person from using their information services to publish illegal advertisements if they are aware of, or should reasonably be aware of, such illegal advertisements even though the internet information service provider merely provides information services and is not involved in the internet advertisement businesses.

GAMES COMMUNITIES AND PLATFORMS

The operators of games communities and platforms shall (i) observe the relevant laws and regulations relating to value-added telecommunication services, (ii) assume the responsibility for management over the games on platforms and especially require game developers and publishers to provide prior approvals from NPPA before the commercial launch of games through platforms; and (iii) observe the relevant provisions on the advertisement; and (iv) observe the Administrative Provisions on Internet Forum and Community Services (《互聯網論壇社區服務管理規定》) released by CAC on August 25, 2017 and effective from October 1, 2017.

According to the Administrative Provisions on Internet Forum and Community Services, providers of the internet forum community services are responsible for the management of platforms, including (i) enter into agreements with users, specifying that users shall not make use of the internet forum community services to publish or disseminate the illegal information and that the service providers shall ban the use of or close the relevant accounts or sections if the users commit serious violation thereof; specifying that the initiators and managers of the forum community sections shall perform the obligations corresponding to their rights and the service providers shall restrict or revoke their management privileges in accordance with the law or agreement and even ban the use of or close the relevant accounts or sections if the initiators or managers violate the laws or agreements or fail to perform responsibilities and obligations properly; (ii) strengthen the management of information disseminated by their users, cease the transmission of the illegal information forthwith, adopt the measures to remove or otherwise dispose of the illegal information, keep relevant records and timely report to the CAC or its local counterparts; and (iii) require users to register accounts by passing the authentication of real identity information pursuant to the principle of "real name at background and discretion at foreground" and record and conduct regular verification of real identity information to section initiators and managers.

REGULATIONS RELATING TO INFORMATION SECURITY AND CENSORSHIP

On December 13, 2005, the MPS issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) (the "**Internet Protection Measures**") which took effect on March 1, 2006. The Internet Protection Measures require internet service providers to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about

their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and detect illegal information, stop transmission of such information, and keep relevant records. Internet services providers are prohibited from unauthorized disclosure of users' information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users' correspondences.

Pursuant to Circular of the MPS, the State Secrecy Bureau, the State Cipher Code Administration and the Information Office of the State Council on Printing and Distributing the Administrative Measures for the Graded Protection of Information Security (《信息安全等級保護管理辦法》) promulgated on June 22, 2007, the security protection grade of an information system may be classified into the five grades. To newly build an information system of Grade II or above, its operator or user shall, within 30 days after it is put into operation, handle the record-filing procedures at the local public security organ at the level of municipality divided into districts or above of its locality. The destruction of a Grade III information system will cause material damage to social order and public interests or will cause damage to national security. Entities operating and using Grade III information system shall protect the information system in accordance with relevant good practice and technical standards of the State.

Internet content in China is regulated and restricted from a state security standpoint. The SCNPC enacted the Decisions on the Maintenance of Internet Security (《維護互聯網安全的決定》) on December 28, 2000, which was amended on August 27, 2009, that may subject persons to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights. In 1997, the MPS issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which were amended by the State Council on January 8, 2011 and prohibit using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The MPS has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP License holder violates these measures, the PRC government may revoke its ICP License and shut down its websites.

On December 29, 2011, the MIIT promulgated the Several Provisions on Regulation of the Order of Internet Information Service Market (《規範互聯網信息服務市場秩序若干規定》), which became effective on March 15, 2012. The Provisions stipulate that without the consent of users, internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information (hereinafter referred to as "**personal information of users**"), nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations. The Provisions also requires that internet information service providers shall properly keep the personal information of users; if the preserved personal information of users is divulged or may possibly be divulged, internet information service providers shall immediately take remedial measures; where such incident causes or may cause serious consequences, they shall immediately report the same to the telecommunications administration authorities that grant them with the internet information service license or filing and cooperate in the investigation and disposal carried out by relevant departments. Failure to comply with such requirements may result in a fine between RMB10,000 and RMB30,000 and an announcement to the public.

The state departments in charge of the supervision and administration of information security shall supervise and administer the graded protection work on information security of the information system of such Grade. On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) to enhance the legal protection of information security and privacy on the internet.

On July 1, 2015, the SCNPC issued the National Security Law of the PRC (《中華人民共和國國家安全法》), which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, national security and cyber security and development interests of the state, and that the state shall

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

On June 28, 2016, the CAC promulgated the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》), which became effective on August 1, 2016, providing that mobile Internet application providers are prohibited from engaging in any activity that may endanger national security, disturb social order or infringe the legal rights of third parties, and may not produce, copy, release or disseminate through mobile Internet applications any content prohibited by laws and regulations.

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which became effective on June 1, 2017, pursuant to which, network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of key information infrastructure shall store within the territory of the PRC all the personal information and important data collected and produced within the territory of the PRC. Their purchase of network products and services that may affect national security shall be subject to national cybersecurity review.

On March 13, 2019, the Office of the Central Cyberspace Affairs Commission (the "**OCCAC**") and the SAMR jointly issued the Notice on App Security Certification (《關於開展App安全認證工作的公告》) and the Implementation Rules on Security Certification of Mobile Internet Application (《移動互聯網應用程序(App)安全認證實施細則》), 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.

On April 13, 2020, the CAC, the NDRC, the MIIT, the MPS, the Ministry of State Security, the MOF, the MOFCOM, the People's Bank of China, the SAMR, the NRTA, the Secrets Bureau, the State Encryption Administration jointly issued the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Review Measures**"), which took effect on June 1, 2020, to provide for more detailed rules regarding cybersecurity review requirements. The Review Measures aim to ensure the safety of the supply chain of critical information infrastructure and guarantee national security by conducting a cybersecurity review by the Cybersecurity Review Office (the "**CRO**") for certain network products and services purchased by the CIIOs. Generally, when procuring network products and services, CIIOs should evaluate the national security risks that the products or services may impose before placing the products or services into use and, if risks are believed to exist, apply for a review by the CRO. The CRO will determine whether the products or service is required for review. Where any member unit of the cybersecurity review mechanism stipulated in the Review Measures believes that a network product or service affects or may affect national security, the CRO shall submit an application to the OCCAC for a cybersecurity review, and a cybersecurity review will be subsequently conducted in accordance with the Review Measures. The CRO shall complete cybersecurity reviews within 30 to 45 business days and submit the review results to mechanism members and relevant critical information infrastructure protection departments for further review, which may take up to 15 business days. If the abovementioned critical information infrastructure protection departments have different opinions on the review results, the CRO will submit the review results to the Central Cyberspace Affairs Commission for final review, which will take 45 business days.

On July 10, 2021, the CAC promulgated the Draft Cybersecurity Review Measures. Pursuant to the Cyber Security Law of the PRC and Review Measures, CIIOs who purchase network products and services are subject to the cybersecurity review system. In addition, the relevant regulatory authorities will also conduct cybersecurity reviews on network products and services that are procured by non-CIIOs that are deemed to be able to affect the national security. The Draft Cybersecurity Review Measures include data processors (together with critical information infrastructure operators, the "**Operators**") who engage in data processing activities and affect or may

affect national security, in the scope of cybersecurity review. The cybersecurity review focuses on the national security risks arising from procurement activities, data processing activities and listing in a foreign country, which include the risks relating to core data, important data, or large amounts of personal information being stolen, disclosed, damaged, illegally utilized or transferred outside of mainland China, and the risks relating to critical information infrastructure, core data, important data, or large amounts of personal information being influenced, controlled or maliciously utilized by a foreign government after a company's listing in a foreign country. The Draft Cybersecurity Review Measures stipulate that the Operators controlling the personal information of more than one (1) million users who intend to be listed in a foreign country must apply for a cybersecurity review with the CRO. Therefore, non-CIIOs are obliged to apply for a cybersecurity review prior to listing in a foreign country if they process personal information of more than one (1) million users. To facilitate the review, the Draft Cybersecurity Review Measures add the CSRC to the review committee, which is led by the CAC and consists of other twelve regulatory authorities. If there is disagreement between the members of the cybersecurity review committee and the relevant critical information infrastructure protection departments, a special review process will be initiated seeking the opinions of relevant authorities and the case will be reported to the CAC, in which case, the review period shall be extended from 45 business days to three months, subject to further extensions for complicated cases. The Draft Cybersecurity Review Measures are still at the public consultation stage and have not been formally adopted. If the Draft Cybersecurity Review Measures are eventually adopted in its current form, the Draft Cybersecurity Review Measures will be applicable to us, as well as many other companies in our industry. However, the Draft Cybersecurity Review Measures are still at a relatively preliminary stage of stipulation, and some provisions in the Draft Cybersecurity Review Measures are still unclear and are subject to the finalization or clarifications by relevant authorities. For example, the Draft Cybersecurity Review Measures use the concept of "listing in a foreign country" (國外上市) rather than "offshore listing" (境外上市). From the perspective of the literary content, as Hong Kong is part of the country, "listing in a foreign country" (國外上市) does not include listing in Hong Kong. However, the Draft Cybersecurity Review Measures provide no further explanation or interpretation for "listing in a foreign country" (國外上市), and therefore it is unclear whether the relevant requirements will be applicable to companies that intend to be **[REDACTED]**. In addition, it is not clear whether the term "1 million users" refers to PRC users only or also includes non-PRC users. Relevant implementation provisions and the anticipated adoption or effective date may be subject to change and thus remain uncertain. We will closely monitor and assess any development in the rule-making process.

The Regulations for the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "**CII Regulations**") came into effect alongside the Data Security Law on September 1, 2021. Pursuant to the CII Regulations, "critical information infrastructures," or CII, refers to important network facilities and information systems of important industries and sectors such as public communications and information services, energy, transport, water conservation, finance, public services, e-government, and science and technology industry for national defense, as well as other important network facilities and information systems that may seriously endanger national security, national economy and citizen's livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Competent authorities as well as the supervision and administrative authorities of the above-mentioned important industries and sectors are responsible for the security protection of CII (the "**Protection Authorities**"). The Protection Authorities will establish the rules for the identification of CII based on the particular situations of the industry and report such rules to the public security department of the State Council for record. The following factors must be considered when establishing identification rules: (i) the importance of network facilities and information systems to the core businesses of the industry and the sector; (ii) the harm that may be brought by the damage, malfunction or data leakage of, the network facilities and information systems; and (iii) the associated impact on other industries and sectors. The Protection Authorities are responsible for organizing the identification of CII in their own industries and sectors in accordance with the identification rules, promptly notifying the operators of the identification results and reporting to the public security department of the State Council. These provisions were newly issued, and detailed rules or explanations may be further enacted with respect to the interpretation and implementation of such provisions, including rules on identifying CII in different industries and sectors.

On November 14, 2021, the CAC issued the Draft Data Security Regulations. The Draft Data Security Regulations have set out requirements on matters such as the protection of personal information, security of important data, security management of cross-border data transfer, application for cybersecurity review and

obligations of internet platform operators. Pursuant to the Draft Data Security Regulations, data processors carrying out the following activities must, in accordance with the relevant national regulations, apply for a cybersecurity review: (i) the merger, reorganization or spin-off of Internet platform operators that possess a large number of data resources related to national security, economic development and public interests that affects or may affect national security; (ii) listing in a foreign country of any data processors that process the personal information of more than one (1) million users; (iii) listing in Hong Kong of data processors, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. The Draft Data Security Regulations did not define the scope of and threshold for determining what "affects or may affect national security." The term "national security" is defined as "the status of National regime, sovereignty, unity and territorial integrity, people's well-being, sustainable economic and social development, and other major national interests that are relatively safe and free from internal and external threats, as well as the ability to ensure continuous security" in the National Security Law of the PRC (《中華人民共和國國家安全法》). In the absence of further explanation or interpretation, the PRC government authorities may have wide discretion in the interpretation of "affects or may affect national security."

In addition to the cybersecurity review, the Draft Data Security Regulations also requires that data processors who are listed overseas (including Hong Kong) to complete an annual data security assessment by themselves or by commissioning data security service providers and submit the previous year's data security assessment report to the cyberspace administration at the level of cities with subordinate districts by January 31 of each year. The annual data security assessment report must contain contents including among others, status related to the processing of important data, data security risks and responding measures, data security management rules and an assessment of data security with respect to the sharing, trading, commissioning to process, or provision of important data to recipients outside mainland China. Furthermore, according to the Draft Data Security Regulations, when providing data collected and generated within mainland China to recipients outside mainland China, data processors must pass the security assessment of cross-border data transfer organized by the CAC if the data includes important data, or the data is personal information provided by a data processor that is a critical information infrastructure operator, or the data processor that processes personal information of more than one (1) million people.

Given that the Draft Data Security Regulations were released for public consultation only as of the Latest Practicable Date, we are still in the process of evaluating the applicability of the various requirements under the Draft Data Security Regulations to our business, and it is impractical for us to predict the impact of the Draft Data Security Regulations at the current stage.

Future laws and regulations on data privacy, personal information protection and cross-border data transmission in the PRC are expected to impose additional stringent requirements, and we may be subject to tightening cybersecurity and data privacy regulations and law enforcement. See "Risk Factors—Risks Relating to Our Business and Industry—The PRC government and regulatory authorities in other jurisdictions may promulgate new laws and regulations affecting our business, and considerable uncertainties exist with respect to their interpretation and implementation. Our failure to comply with laws and regulations as they change from time to time could materially and adversely affect our business, financial condition and results of operations" for more information.

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 promulgated Opinions on Rigorously Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》) (the "**Opinions on Illegal Securities Activities**"), which set forth seven aspects of opinions to promote high-quality development of capital markets and combat illegal securities activities. Pursuant to the Opinions on Illegal Securities Activities, the enforcement and judiciary cooperation on cross-border supervision shall be strengthened, which includes: (i) strengthening cross-border supervision cooperation, improving laws and regulations in relation to data security, cross-border data flow, and confidential information management, and confirming the responsibility for data security of companies listed overseas; (ii) strengthening the supervision on overseas-listed China-based companies (中概股公司), clarifying the responsibilities of domestic industry authorities and regulators, and strengthening cross-sectoral supervision cooperation; and (iii) establishing a sound system for the extraterritorial application of capital market laws, formulating judicial interpretations and relevant rules for the extraterritorial application of securities laws, and

promoting the mutual recognition and enforcement of judicial decisions between foreign countries and regions and the PRC. The Opinions on Illegal Securities Activities will be generally applicable to us as well as other overseas-listed China-based companies (中概股公司). However, as these opinions are recently issued, the implementation and enforcement of the Opinions on Illegal Securities Activities, especially with regard to cross-border supervision of data security and supervision of Chinese companies listed overseas, are still subject to the promulgation of specific implementation rules. It is still unclear whether and how such opinions will further evolve into supervisory measures of the CSRC and how such opinions or measures will be implemented.

REGULATIONS RELATING TO PERSONAL PRIVACY AND DATA PROTECTION

On July 16, 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》) to regulate the collection and use of users' personal information in the provision of telecommunications services and internet information services in China and the personal information includes a user's name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user. Telecommunications service providers and internet service providers are required to constitute their own rules for the collecting and use of users' information and they cannot collect or use of user's information without users' consent. Telecommunications service providers and internet service providers must specify the purposes, manners and scopes of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. Telecommunications service providers and internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. Telecommunication business operators and internet service providers are required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.

The CAC, the MIIT, the MPS and the SAMR jointly promulgated the Provisions on the Scope of Essential Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》) effective from June 1, 2015, which clarifies the scope of Essential Personal Information for Common Types of Applications. In addition, internet application (App) operators shall not refuse users to use the basic functions of Apps on the ground that users do not agree to collect unnecessary personal information.

On August 29, 2015, the SCNPC issued the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案（九）》), which became effective on November 1, 2015. Any internet service provider that fails to comply with obligations related to internet information security administration as required by applicable laws and refuses to rectify upon order shall be subject to criminal penalty for (i) any large-scale dissemination of illegal information; (ii) any severe consequences due to the leakage of the user information; (iii) any serious loss of criminal evidence; or (iv) other severe circumstances. Furthermore, any individual or entity that (i) sells or distributes personal information in a manner which violates relevant regulations, or (ii) steals or illegally obtains any personal information is subject to criminal penalty in severe circumstances.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (the "**Personal Information Interpretations**"), effective from June 1, 2017. The Personal Information Interpretations clarify several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》), including "citizen's personal information", "provision", and "unlawful acquisition". Also, the Interpretations specify the standards for determining "serious circumstances" and "particularly serious circumstances" of this crime.

On January 23, 2019, the OCCAC, the MIIT and 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. No organization or individual is allowed to produce, release or disseminate information that infringes upon the personal information security of children, defined as minors under 14 years of age. 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 noticeable and clear way, notify and obtain consent from children's guardians. When obtaining consent, network operators must provide the individuals with an option to deny consent, and must clearly notify the children's guardians of the following matters: (i) the purpose, method and scope of the children's personal information to be collected, stored, used, transferred and disclosed; (ii) the place and term of storage of the children's personal information and how such information will be handled after expiration; (iii) security measures for protection of the children's personal information; (iv) the consequences of refusal; (v) channels and ways for filing complaints and reports; (vi) ways and methods for correcting and deleting the children's personal information; and (vii) other matters that should be notified. In case of any substantial change in the informed matters mentioned above, consents of children' guardians must be obtained once again. Network operators' use of children's personal information must not violate relevant laws and administrative regulations and must be within the purposes and scope agreed by the network operators and such children's guardians. If it is necessary to use such information beyond the agreed purposes and scope due to business needs, consents must be obtained once again from the children's guardians. Internet operators shall delete a child's personal information collected, stored, used and disclosed by them in a timely manner, if required by such child or his/her guardians. On November 28, 2019, the CAC, MIIT, the 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 "failure to publish rules on the collection and usage of personal information," "failure to expressly state the purpose, manner and scope of the collection and usage of personal information," "collecting and using personal information without obtaining consents from users," "collecting personal information irrelevant to the services provided," "providing personal information to other parties without obtaining consent" and "failure to provide the function of deleting or correcting personal information as required by law or failure to publish the methods for complaints and reports or other information."

On May 28, 2020, the National People's Congress of the PRC approved the PRC Civil Code (《中華人民共和國民法典》), which took effect on January 1, 2021. Pursuant to the PRC Civil Code, the collection, storage, use, process, transmission, provision and disclosure of personal information shall follow the principles of legitimacy, properness and necessity.

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(2020修訂)》), which became effective on June 1, 2021, information processors must follow the principles of legality, legitimacy and necessity when processing personal information of minors via internet, and must obtain consent from minors' parents or other guardians when processing personal information of minors under age of 14. In addition, internet service providers must promptly alert upon the discovery of publishing private information by minors via the internet and take necessary protective measures. The consent by a parent or a guardian of a minor under the age of 14 must be obtained when processing personal information of such minor, unless otherwise provided by laws and administrative regulations. When a minor or such minor's parents or other guardians requires the information processors to correct or delete such minor's personal information, the information processors shall take measures to do so in a timely manner, unless otherwise provided by laws and administrative regulations.

On June 10, 2021, the Standing Committee of the National People's Congress issued the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) (the "**Data Security Law**"), which took effect on September 1, 2021. The Data Security Law clarifies the scope of data to cover a wide range of information records generated from all aspects of production, operation and management of government affairs and enterprises in the process of the gradual transformation of digitalization, and requires that data collection shall be conducted in a legitimate and proper manner, and theft or illegal collection of data is not permitted. Data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to

protect data security. In addition, data processing activities shall be conducted on the basis of the graded protection system for cybersecurity. Monitoring of the data processing activities shall be strengthened, and remedial measures shall be taken immediately in case of discovery of risks regarding data security related defects or bugs. In case of data security incidents, responding measures shall be taken immediately, and disclosure to users and report to the competent authorities shall be made in a timely manner.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the "**PIPL**"), which took effect on November 1, 2021. The PIPL comprehensively and systematically integrates the scattered rules with respect to personal information and privacy protection and is the first law in the PRC to specifically regulate the protection of personal information. Pursuant to the PIPL, "personal information" refers to any kind of information related to an identified or identifiable individual as electronically or otherwise recorded but excluding the anonymized information. The processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information. The PIPL applies to the processing of personal information of individuals within mainland China, as well as personal information processing activities outside mainland China for the purpose of providing products or services to natural persons inside mainland China, or for analyzing or evaluating the behaviors of natural persons inside mainland China. A personal information processor may process the personal information of this individual only under the following circumstances: (i) where consent is obtained from the individual; (ii) where it is necessary for the execution or performance of a contract to which the individual is a party, or where it is necessary for carrying out human resource management pursuant to employment rules legally adopted or a collective contract legally concluded; (iii) where it is necessary for performing a statutory responsibility or statutory obligation; (iv) where it is necessary in response to a public health emergency, or for protecting the life, health or property safety of a natural person in the case of an emergency; (v) where the personal information is processed within a reasonable scope to carry out any news reporting, supervision by public opinions or any other activity for public interest purposes; (vi) where the personal information, which has already been disclosed by an individual or otherwise legally disclosed, is processed within a reasonable scope; or (vii) any other circumstance as provided by laws or administrative regulations. In principle, the consent of an individual must be obtained for the processing of his or her personal information, except under the circumstances of the aforementioned items (ii) to (vii). Where personal information is to be processed based on the consent of an individual, such consent shall be a voluntary and explicit indication of intent given by such individual on a fully informed basis, except as otherwise stipulated in other laws or administrative regulations. In addition, the processing of the personal information of a minor under 14 years old must obtain the consent by a parent or a guardian of such minor and the personal information processors must adopt special rules for processing personal information of minors under 14 years old.

Furthermore, the PIPL stipulates the rules for cross-border transfer of personal information. Any cross-border transfer of personal information is subject to the condition that it is necessary to provide the personal information to a recipient outside mainland China due to any business need or any other need, as well as the satisfaction of at least one of the following conditions: (i) where a security assessment organized by the national cyberspace authority has been passed; (ii) where a certification of personal information protection has been passed from a professional institution; (iii) where a standard contract formulated by the national cyberspace authority has been entered into with the overseas recipient; or (iv) any other condition prescribed by laws, administrative regulations or any other requirements by the national cyberspace authority. Critical information infrastructure operators and personal information processors who have processed personal information in an amount reaching a threshold prescribed by the national cyberspace authority, must store in mainland China the personal information collected or generated within mainland China. If it is necessary to provide such information to an overseas recipient, a security assessment organized by the national cyberspace authority must be passed.

On October 29, 2021, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer (Draft for Comments) (數據出境安全評估辦法(徵求意見稿)) (the "**Draft for Security Assessment**"). The Draft for Security Assessment stipulates that a data processor that transfers data out of mainland China must apply to the CAC for security assessment under the following circumstances: (i) where the data to be transferred out of mainland China contains personal information and important data collected and generated by CIIOs; (ii) where the data to be transferred out of mainland China contains important data; (iii) where any data processor that has processed personal information of more than one million people transfers personal information out of

mainland China; (iv) where the personal information of more than 100,000 people or sensitive personal information of more than 10,000 people has been transferred out of mainland China accumulatively by any data processor; or (v) other circumstances under which cross-border data transfer must be filed for security assessment as required by the CAC. The CAC shall complete security assessment of cross-border data transfer within 45 working days, and where the circumstances are complicated or supplementary materials are required, the assessment period may be extended, but shall not 60 working days. The assessment result of cross-border data transfer is valid for two years, but a data processor must apply for a reassessment if material changes occur, such as any change to the purpose, scope or type of data to be transferred out of mainland China. In addition, a data processor must conduct self-assessment of the risks of cross-border data transfer prior to transferring data out of mainland China, and the self-assessment shall focus on the prescribed aspects, including the legality, legitimacy and necessity of the cross-border data transfer, the purpose, scope and method of data processing conducted by the overseas recipient, and whether the contract entered into with the overseas recipient has specified data protection obligations. The Draft for Security Assessment is still at the public consultation stage and has not been formally adopted. There remains uncertainty in relevant implementation provisions and the anticipated adoption or effective date of the Draft for Security Assessment.

As we expand our operations internationally, we may be also subject to privacy laws and data security laws of other jurisdictions in which we operate, including the European General Data Protection Regulation (the "**GDPR**"), which came into effect on May 25, 2018. The GDPR increased our burden of regulatory compliance and required us to change certain of our privacy and data security practices in order to achieve compliance. The GDPR introduced stringent operational requirements for processors and controllers of personal data, including, for example, requiring expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements, higher standards for data controllers to demonstrate that they have obtained either valid consent or have another legal basis in place to justify their data processing activities, an expansive definition of personal data, high standards for establishing consent to process personal data, rights granted to data subjects to allow them to (among other things) access and rectify their personal data and request that it be deleted or transferred to another service provider, requirements to conduct data protection impact assessments (DPIA) to identify and reduce risks associated with a data processing activity, an obligation to appoint a data protection officer in certain circumstances and requirements to enter into contractual terms with service providers that will process personal data on a controller's behalf. In light of the recent decision of the Court of Justice of the European Union in Data Protection Commissioner v Facebook Ireland Limited and Maximillian Schrems (C-311/118), there is currently ongoing uncertainty with respect to the legality of certain transfers of personal data from the EEA and the UK to so called 'third countries' outside the EEA, including the United States and the PRC. In addition to the increased legal risk in the event of any such transfers, additional costs might also need to be incurred in order to implement necessary safeguards to comply with the GDPR. While the GDPR provides considerable harmonization to data protection regulation across the EU member states, it also gives EU member states certain areas of discretion and therefore laws and regulations in relation to certain data processing activities may differ on a member state by member state basis. Following the UK's exit from the EU, the UK has the ability to amend its data protection laws (including the UK GDPR) and in the future UK data protection law may deviate from the GDPR. Local deviations across the EU and UK could result in limitations on our ability to freely use and share personal data and could require localized changes to our operating model. Under the GDPR, fines of up to Euro 20 million or up to 4% of an organization's total worldwide annual turnover for the preceding financial year, whichever is higher, may be imposed by data protection supervisory authorities for non-compliance, which significantly increases our potential financial exposure for noncompliance. Additionally, ongoing efforts to comply with the GDPR may require substantial amendments to our procedures and policies, and these changes could impact our business by increasing its operational and compliance costs. In the ordinary course of our business, our in-house legal department closely follows the legislative trends and policy developments with respect to privacy and data protection in China and other major markets where our games have been or may be launched. Our legal department also provides relevant training and regulatory updates to our Directors, management and other employees on major developments in laws, regulations, policies and industry standards. We amend our existing policies and procedures and formulate new policies pursuant to the evolving laws and regulations from time to time. In addition, our in-house legal team proactively participates in the training programs on privacy and data security organized by relevant authorities. In line with our business growth, we intend to expand into more overseas markets and devote additional resources to privacy and data protection. We expect to spend approximately

RMB100 thousand to RMB200 thousand per year (to be adjusted based on actual circumstances) on matters related to privacy and data protection, including engaging outside specialized legal counsel or consultants, assessing and upgrading our internal control system and data privacy protection measures, and holding internal training programs on PRC and overseas regulatory requirements and developments. We do not expect these costs to have a material adverse effect on our business operations or financial performance.

Other jurisdictions are similarly introducing or enhancing privacy and data security laws, rules and regulations, which could increase our compliance costs and the risks associated with noncompliance. For example, California enacted the California Consumer Privacy Act (the "**CCPA**"), which creates new individual privacy rights for California consumers (as defined in the law) and places increased privacy and security obligations on companies handling personal information of consumers or households. The CCPA, which went into effect on January 1, 2020, requires covered companies to provide new disclosure to consumers about such companies' data collection, use and sharing practices, provide methods for such consumers to access and delete their personal information, with exceptions, as well as allowing consumers to opt-out of certain sales or transfers of their personal information. The CCPA provides for civil penalties for violations and further provides consumers with a new private right of action in the event of a data breach involving certain sensitive information as a result of the business' failure to implement reasonable security measures. This private right of action may increase the likelihood of, and risks associated with, data breach litigation. The California Attorney General's enforcement authority under the CCPA became effective July 1, 2020, and it remains unclear how various provisions of the CCPA will be interpreted and enforced. As currently written, the CCPA impacts certain of our business activities and exemplifies the vulnerability of our business to the evolving regulatory environment related to personal information. A ballot initiative from privacy rights advocates intended to augment and expand the CCPA called the California Privacy Rights Act (the "**CPRA**") was passed in November 2020 and will take effect in January 2023 (with a look back to January 2022). The CPRA significantly modifies the CCPA, including by imposing additional obligations on covered companies and expanding consumers' rights with respect to certain sensitive personal information, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. The CPRA also creates a new state agency that will be vested with authority to implement and enforce the CCPA and the CPRA. In addition, all 50 states have laws including obligations to provide notification of security breaches of computer databases that contain personal information to affected individuals, state officers and others. Aspects of the CCPA, the CPRA, and other laws and regulations relating to data protection, privacy, and information security, as well as their enforcement, remain unclear, and we may be required to modify our practices in an effort to comply with them.

Regulations regarding data privacy are increasing in number, as well as levels of enforcement, as manifested in increased amounts of fines and the severity of other penalties. We expect that personal privacy and data protection will continue to receive attention and focus from regulators, as well as public scrutiny and attention. While we have adopted certain policies and procedures pursuant to the GDPR, CCPA and other applicable laws relating to personal privacy and data protection, including but not limited to the privacy policy and an internal data protection policy, these policies and procedures may need to be updated as additional information concerning the best practices is made available through guidance from regulators or published enforcement decisions and further detailed policies may need to be adopted in the future in order to ensure our compliance with such laws.

REGULATION RELATING TO FOREIGN EXCHANGE

The principal regulations governing foreign currency exchange in China are the Regulation on the Foreign Exchange Control of PRC (《中華人民共和國外匯管理條例》), promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and last amended on August 5, 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》), promulgated by the People's Bank of China in June 1996 and came into effect on July 1, 1996, according to which, Renminbi for current account items is freely convertible, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans and investments in securities outside of the PRC, unless the prior approval or record-filing of the SAFE or its local counterpart is obtained.

On February 15, 2012, the SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore 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》) (the "**Circular 7**"). According to the Circular 7, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year (except for foreign diplomatic personnel in China and representatives of international organizations in China) who participate in any share incentive plan of an overseas publicly listed company shall, through the domestic company to which the said company is affiliated, collectively entrust a domestic agency (may be the Chinese affiliate of the overseas publicly listed company which participates in share incentive plan, or other domestic institutions qualified for asset trust business lawfully designated by such company) to handle foreign exchange registration, and entrust an overseas institution to handle issues like exercise of options, purchase and sale of corresponding shares or equity and transfer of corresponding funds. In addition, the domestic agency is required to amend the SAFE registration with respect to the share incentive plan if there is any material change to the share incentive plan.

On July 4, 2014, SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**"), for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. The Circular 37 supersedes the former circular commonly known as "Circular 75" (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on October 21, 2005 and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under the Circular 37, PRC residents shall register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with their legally owned assets or interests in domestic enterprises or offshore assets or interests, referred to in Circular 37 as a "special purpose vehicle." The Circular 37 further requires amendment to the registration in the event the change of basic information of the registered offshore special purpose vehicle such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration formality for offshore investment. At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》) with respect to the procedures for SAFE registration under the Circular 37, which became effective on July 4, 2014 as an attachment to Circular 37. According to the operation guidance, the principle of review has been changed to "the domestic individual resident is only registering the SPV directly established or controlled (first level)". According to the Circular 13 which became effective on June 1, 2015, banks are required to review and carry out foreign exchange registration under offshore direct investment directly. The SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

On February 13, 2015, SAFE promulgated the Notice on Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular 13**") effective from June 1, 2015, which cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment. In addition, it simplifies the procedure of registration of foreign exchange and investors shall register with banks to have the registration of foreign exchange under the condition of direct domestic investment and direct overseas investment. However, remedial registration applications made by PRC residents that previously failed to comply with the Circular 13 continue to fall under the jurisdiction of the relevant local branch of the SAFE. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

The Circular on Reforming the Management Method regarding the 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》) (the

"Circular 19"), promulgated on March 30, 2015, came into effective on June 1, 2015, and last amended on December 30, 2019, allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of willingness-based foreign exchange settlement of capital for foreign-invested enterprises is temporarily set at 100%. The SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. However, Circular 19 and the Circular on Reforming and Regulating the Management Policies on the Settlement of Capital Projects (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), promulgated on June 9, 2016, continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investing and financing directly or indirectly in securities and other investments except for bank's principal-secured products, providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use (except real estate enterprises).

On January 26, 2017, the SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the "**Circular 3**"), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) when bank handles out ward remittance of profits equivalent to more than USD50,000 for a domestic institution shall, under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filling records and audited financial statements, and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to the Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**Circular 28**"), according to which besides foreign-invested enterprises engaged in investment business, non-investment foreign-invested enterprises are also permitted to make domestic equity investments with their capital funds in foreign currency provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》), issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without submitting the evidentiary materials concerning authenticity of such capital for banks in advance; provided that their capital use is authentic and in compliance with administrative regulations on the use of income under capital accounts. The bank in charge shall conduct post spot checking in accordance with the relevant requirements.

REGULATION RELATING TO DIVIDEND DISTRIBUTIONS

The principal laws and regulations regulating the dividend distribution of dividends by foreign invested enterprises in China include the PRC Company Law (《中華人民共和國公司法》) last amended in 2018 and the Foreign Investment Law (《外商投資法》) which became effective on January 1, 2020. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company, including foreign-invested enterprise, is required to set aside as general reserves (法定公積金) at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided, and shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS RELATED TO TAX

Enterprise Income Tax

According to the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得税法》) (the "**EIT Law**"), which was promulgated on March 16, 2007, came into effect on January 1, 2008, and last amended on December 29, 2018, and the Implementation Regulations on the Enterprise Income Tax Law (《中華人民共和國企業所得税法實施條例》), which was promulgated by the State Council on December 6, 2007, came into effect on January 1, 2008, amended by the State Council on April 23, 2019, and came into effect on the same date, a uniform income tax rate of 25% will be applied to resident enterprises and non-resident enterprises that have established production and operation facilities in China. Besides enterprises established within the PRC, enterprises established in accordance with the laws of other judicial districts whose "de facto management bodies" are within the PRC are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. A non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to or any other gains realized on the transfer of shares by non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by the State Administration of Taxation (the "**SAT**") on April 22, 2009 and last amended on December 29, 2017 sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC.

According to the Arrangement for the Avoidance of Double Taxation and Tax Evasion between Mainland of China and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) entered into between Mainland China and the HKSAR on August 21, 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which directly owns 25% or more of the equity interest pf the PRC foreign-invested enterprise which pays the dividends and interests, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws. However, according to the Notice on the Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家税務總局關於執行税收協定股息條款有關問題的通知》), which was promulgated by the SAT on February 20, 2009, and came into effect on the same date, if the relevant PRC tax authorities determine, in their discretion, that a company benefits unjustifiably from such reduced income tax rate due to a transaction or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement of the Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties (《國家税務總局關於税收協定中"受益所有人"有關問題的公告》), issued by the SAT on February 3, 2018, and effective on April 1, 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner," and consequently, the applicant could be precluded from enjoying the abovementioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Pursuant to the Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《國家税務總局關於非居民企業所得税源泉扣繳有關問題的公告》) which was promulgated by the SAT on October 17, 2017 and became effective on December 1, 2017, with regard to dividends, bonuses and other equity investment proceeds and interest therefrom, rentals, royalties, property transfer income and other kinds of income earned by non-resident enterprises from inside China, on which enterprise income tax shall be levied, withholding tax at source shall be applicable thereto. Entities or

individuals that have direct obligations to make relevant payments to non-resident enterprises in accordance with relevant legal provisions or contracts shall be the withholding agents. The withholding agent shall, within seven days from occurrence of the withholding obligation, declare and turn over the withholding tax to the tax authorities in charge at the withholding agent's location.

According to the EIT Law, the EIT tax rate of a high and new technology enterprise is 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》), promulgated on April 14, 2008 and amended on January 29, 2016, the certificate of a high and new technology enterprise is valid for three years and may renewed after the inspection of SAT and other relevant authority.

According to the Further Encouraging the Development of Enterprise Income Tax Policy in Software Industry and Integrated Circuit Industry (《關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》) (the "**2012 Policy**") promulgated by the MOF and the SAT on April 20, 2012 and amended on May 4, 2016 and the Notice on Issues concerning Preferential Enterprise Income Tax Policies for Software and Integrated Circuit Industries (《關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》) (the "**2016 Policy**") promulgated by the MOF, the SAT, the NDRC and the MIIT on May 4, 2016, newly established integrated circuit design enterprises and eligible software enterprises shall be exempt from the EIT for the first two years after they make profits, and shall be levied thereon at half of the statutory rate of 25% for the next three years until the expiration of the preferential period. According to the Notice on Enterprise Income Tax Policies for the Integrated Circuit Design and Software Industries (《關於集成電路設計和軟件產業企業所得稅政策的公告》) (the "**2019 Policy**") promulgated by the MOF and the SAT on May 17, 2019, legally established and eligible integrated circuit design enterprises and software enterprises shall be exempted from the enterprise income tax for the first and second year after it makes profits and shall be levied thereon at half of the statutory rate of 25% for the third to fifth year until the expiration of the preferential period. The preferential period shall be calculated from the profitable year prior to December 31, 2018. The 2019 Policy further provides that the eligibility criteria set out in 2012 Policy and the 2016 Policy will continue to apply.

Value-added Tax

The Provisional Regulations on Value-added Tax (《增值稅暫行條例》), which was promulgated on December 13, 1993, came into effect on January 1, 1994, last amended on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value added Tax (《增值稅暫行條例實施細則》), which was promulgated on December 18, 2008, and amended on October 28, 2011, came into effect on November 1, 2011, set out that all taxpayers selling goods or providing processing, repairing or replacement labor services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax.

On November 16, 2011, the MOF and the SAT jointly promulgated the Pilot Plan for Levying Value-Added Tax in lieu of Business Tax (《營業稅改徵增值稅試點方案》).The State Council approved, and the SAT and the MOF officially launched a pilot value-added tax reform program starting from January 1, 2012, or the Pilot Program, applicable to businesses in selected industries. Businesses in the Pilot Program would pay value-added tax instead of business tax. The Pilot Program was initiated in Shanghai, then further applied to 10 additional regions such as Beijing and Guangdong province.

The Measures for the Exemption of Value-Added Tax from Cross-Border Taxable Activities in the Collection of Value-Added Tax in Lieu of Business Tax (for Trial Implementation) (《營業稅改徵增值稅跨境應稅行為增值稅免稅管理辦法(試行)》), which was promulgated on May 6, 2016 by the SAT and revised on June 15, 2018, provides that if a domestic enterprise provides cross-border taxable activities such as professional technology services, technologies transfer, software service etc., the above mentioned cross-border taxable activities shall be exempted from the VAT.

On March 23, 2016, the MOF and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (《關於全面推開營業稅改徵增值稅試點的通知》) which confirms that business tax will be completely replaced by the VAT from May 1, 2016.

On November 19, 2017, the State Council promulgated the Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》), according to which, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement labor services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of value-added tax. The value-added tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the value-added tax rate applicable to the small-scale taxpayers is 3%.

According to the Notice of the MOF and the SAT on Adjusting Value added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), issued on April 4, 2018, and became effective on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have value-added tax taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Notice of the MOF, the SAT and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值稅改革有關政策的公告》), issued on March 20, 2019, and became effective on April 1, 2019, the value added tax rate was reduced to 13% and 9%, respectively.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Copyright

China has enacted various laws and regulations relating to the protection of copyright. China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

The Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**"), which was promulgated by the SCNPC on September 7, 1990, amended on February 26, 2010, became effective as of April 1, 2010, further amended on November 11, 2020, and took effect on June 1, 2021. Under the currently effective Copyright Law, Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture.

Under the Regulation on Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》) that took effect on July 1, 2006, and was amended on January 30, 2013, it is further provided that an internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the internet and the service provider fails to take measures to remove or block or disconnects links to the relevant content or, although not aware of the infringement, the internet information service provider fails to take such measures upon receipt of the copyright holder's notice of infringement.

Measures on Administrative Protection of Internet Copyright (《互聯網著作權行政保護辦法》), that were promulgated by the MIIT and National Copyright Administration (the "**NCA**") and took effect on May 30, 2005, provided that an internet information service provider shall take measures to remove the relevant contents, record relevant information after receiving the notice from the copyright owner that some content communicated through internet infringes upon his/its copyright and preserve the copyright owner's notice for six months. If an internet information service provider (i) has the knowledge of an internet content provider's tortuous act of infringing upon another's copyright through internet, or (ii) fails to take measures to remove relevant contents after the receipt of the copyright owner's notice (regardless of the internet information service provider's knowledge of the copyright infringement act), and if the relevant copyright infringement act harms public interests, then the infringer shall be ordered to stop the tortious act, and may be imposed of confiscation of the illegal proceeds and a fine of not more than three times the illegal business amount; and if the illegal business amount is difficult to be calculated, a fine of not more than RMB100,000 may be imposed.

The Notice on Regulating Copyright Order of Internet Reproduction (《關於規範網絡轉載版權秩序的通知》), issued by the NCA in April 2015, includes the following four major points: (i) clarify certain important issues related to internet copyrights in existing laws and regulations, including the definition of news, clarify statutory licenses that are not applicable to internet copyrights and prohibit the distortion of title and work intent; (ii) guide the press and media to further improve the internal management of copyrights, especially requesting the press to clarify the copyright sources of their content; (iii) encourage the press and internet media to actively carry out copyright cooperation; and (iv) ask the copyright administrations at all levels to strictly implement copyright supervision.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (the "**Software Copyright Measures**"), promulgated by the NCA on February 20, 2002, regulate registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The NCA shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the "CPCC") is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conform to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013) (《計算機軟件保護條例(2013修訂)》).

Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《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》), promulgated by the Supreme People's Court in December 2012 and further revised on December 29, 2020 and took effect on January 1, 2021, stipulate that internet users or internet service providers who provide works, performances or audio-video products, for which others have the right of dissemination through information networks or make these available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019, and took effect on November 1, 2019, as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》), adopted by the State Council on August 3, 2002, and revised on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of 10 years to registered trademarks commencing from the date of registration and the registered trademarks can be renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Administrative Measures on Internet Domain Names (《中國互聯網域名管理辦法》), issued by MIIT on November 5, 2004 and effective as of December 20, 2004 which was replaced by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) issued by the MIIT on August 24, 2017 and effective as of November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration. On November 27, 2017, the MIIT issued Circular on Regulating the Use of Domain Names for Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), effective as of January 1, 2018, pursuant to which an internet access service provider shall, pursuant to requirements stated in the Anti-terrorism Law of the PRC (《中華人民共和國反恐怖主義法》) and the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), verify the identity of each internet information service provider, and shall not provide services to any internet information service provider that refuses to submit truthful information about its identity.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, last amended on October 17, 2020 and became effective on June 1, 2021, and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the PRC Patent Bureau Council on January 19, 1985, last amended on January 9, 2010, and effective from February 1, 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. The protection period of a patent right for invention patents shall be 20 years, the protection period of a patent right for utility model patents shall be 10 years and the protection period of a patent right for design patents shall be 15 years, all commencing on the filing date. According to the Patent Law of the PRC, any entity or individual that seeks to exploit a patent owned by another party shall enter into a patent license contract with the patent owner concerned and pay patent royalties to the patent owner. Pursuant to the Measures for the Filling of Patent Licensing Contracts (《專利實施許可合同備案辦法》), which was promulgated by the State Intellectual Property Office on June 27, 2011 and became effective from August 1, 2011, the State Intellectual Property Office shall be responsible for filing of patent licensing contracts nationwide and the parties concerned shall complete filing formalities within three months from the effective date of a patent licensing contract.

REGULATIONS RELATED TO LABOR AND SOCIAL SECURITY

According to the Labor Law of PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, became effective from January 1, 1995, and was last amended on December 29, 2018, the Labor Contract Law of PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, last amended on December 28, 2012, and became effective on July 1, 2013, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council and came into effect on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules and carry out regular health examinations for employees engaged in work involving occupational hazards.

As required under the Regulation of Insurance for Work-related Injury (《工傷保險條例》), amended on December 20, 2010 and came into effect on January 1, 2011, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated on January 22, 1999 and amended on March 24, 2019 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended on December 29, 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance. Enterprises must apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise fails to pay the required premiums on time or in full amount, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a daily overdue fine equivalent to 0.05% of the overdue amount. If the overdue amount is still not settled within the stipulated time period, an additional fine with an amount of one to three times of the overdue amount will be imposed. On March 6, 2019, the General Office of the State Council released the Opinions on Comprehensively Promoting the Consolidation of Maternity Insurance and Basic Medical Insurance for Employees (《關於全面推進生育保險和職工基本醫療保險合併實施的意見》) which stipulates main policies and support measures for the promotion of the consolidation of the maternity insurance and basic medical insurance for employees.

According to the Regulation on Management of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and was last amended on March 24, 2019, enterprises must register with the competent managing center for housing provident funds and, upon the examination by such managing center of housing provident fund, complete procedures for opening an account at the relevant bank for the deposit of employees' housing provident funds. Employers are required to contribute, on behalf of their employees, to housing provident funds. The payment is required to be made to the special housing accumulation fund account in a bank. Any employer who fails to contribute may be ordered to make good the deficit within a stipulated time limit or applied to a People's Court for compulsory enforcement by local administrative authorities.

REGULATIONS RELATING TO M&A AND OVERSEAS [REDACTED]

M&A Rules

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the Rules on Merger & Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and was revised on June 22, 2009. Foreign investors should comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. According to Article 11 of the M&A Rules, where a domestic enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic enterprise which is related to or connected with it/him/her, approval from the MOFCOM is required. The M&A Rules, among other things, purport to require that an offshore special vehicle, or a special purpose vehicle, formed for **[REDACTED]** purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the **[REDACTED]** and trading of such special purpose vehicle's securities on an overseas stock exchange.

1997 Red-chip Guidance

On June 20, 1997, the State Council issued the Circular of the State Council Concerning Further Strengthening of the Administration of Share Issuance and Overseas Listing (《關於進一步加強在境外發行股票和上市管理的通知》) (the "**1997 Red-chip Guidance**"), which governs, among other things, the overseas listing of PRC-funded offshore companies. According to 1997 Red-chip Guidance, laws and regulations of the relevant overseas listing venue will be applicable when a non-public PRC-funded offshore company or an offshore listed company controlled by PRC entities applies for the listing and issue of new shares with its overseas assets or domestic assets owned for more than three years through the investment of its overseas assets in the PRC. The PRC entity which controls the PRC-funded offshore company shall obtain the prior consent of the People's Government of the PRC at the provincial level or the competent authority of the State Council of the PRC for such application of listing and issue of new shares. A non-public PRC-funded offshore company or an offshore listed company controlled by PRC entities with domestic assets owned for less than three years through the investment of overseas asset in the PRC may not apply for overseas listing and issue of new shares except under special circumstances. To apply for overseas listing and issue of new shares under special circumstances, the relevant PRC entity which controls the PRC-funded offshore company shall submit the matter to the CSRC for examination and the State Council Securities Commission for further examination and approval. Upon completion of the listing and issue of new shares, a PRC entity which controls a PRC-funded offshore company shall report to the CSRC for recordation.