This section sets forth a summary of the material laws and regulations that are directly relevant to our business activities in China or the rights of our shareholders to receive dividends and other distributions from us. Our business are subject to various PRC laws and regulations relating to the telecommunications, Internet information services, information security and censorship, online games and media industries, and are regulated by various PRC government authorities.

New laws and regulations may be adopted from time to time to address new and developing issues in the Internet information services and other industries, and such laws and regulations may require licenses and permits in addition to those we currently have. As a result, uncertainties exist with respect to the interpretation and implementation of current and any future PRC laws and regulations applicable to our business. Please see "Risk Factors — Risks Related to Our Industry — The laws and regulations governing virtual worlds, games and education services in China are developing and are subject to future changes. If we or the third-party publishers we work with fail to obtain or maintain all applicable permits and approvals, our business and operations would be materially and adversely affected."

PRC Regulation of Telecommunication and Internet Information Services

On September 25, 2000, the State Council promulgated the PRC Telecommunications Regulation《中華人民共和國電信條例》(the "Telecom Regulations"), which categorizes all telecommunication-related businesses in the PRC as either basic telecommunication businesses or value-added telecommunication businesses. The services of an Internet content provider (the "ICP") are designated as a value-added telecommunication business, in accordance with the Catalog of Telecommunication Business《電信業務分類目錄》, an attachment to the Telecom Regulations, and as updated by the Notice on Adjusting the Catalog of Telecommunication Business, which was issued by the Ministry of Information Industry (renamed to be the Ministry of Industry and Information Technology, or the MIIT, on July 11, 2008), effective on April 1, 2003. An ICP is thus subject to examination by and approval of the MIIT or its provincial branches and is required to obtain the ICP license from the MIIT or its provincial branches.

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 Measures") categorizing Internet information services into either commercial Internet information services or non-commercial Internet information services. Commercial operators of Internet information services in the PRC are required to obtain an ICP license from the MIIT or to attend the filing formalities with the telecommunications administration authority of the province, autonomous region or municipality directly under the central government or the State Council's department in charge of the information industry.

Effective on April 10, 2009, the MIIT revised the Telecom License Measures《電信業務經營許可管理辦法》, which sets forth the types of licenses required for providing value-added telecommunication services and the qualifications and procedures for obtaining such licenses. For example, an information services operator providing value-added services in multiple provinces is required to obtain an inter-regional license, whereas an information services operator providing the same services in one province is required to obtain a local license.

We obtained the ICP license from the Guangdong branch of the MIIT on April 28, 2012. The ICP license will expire on August 10, 2014 and needs to be renewed upon expiration.

Restrictions or Prohibition on Foreign Investment in Telecommunication and Internet Information Services and Internet Cultural Operations (Excluding Music)

Investment activities in the PRC by foreign investors are mainly governed by the Guidance Catalog of Industries for Foreign Investment《外商投資產業指導目錄》(the "Catalog") as promulgated and amended from time to time

by the MOFCOM and the NDRC jointly. The Catalog divides industries into three categories with respect to foreign investments, including "encouraged," "restricted" and "prohibited."

Value-added telecommunications services fall within the "restricted" category and are under Section V of the Catalog. Internet cultural operations (excluding music) fall within the "prohibited" category and are under Section X of the Catalog. All other industries not listed under such categories are deemed to be "permitted."

Online interactive entertainment services include both value-added telecommunications services and Internet cultural operations under the PRC laws and regulations, therefore, is prohibited to foreign investment. Online educational services are a type of value-added telecommunications services, therefore, is restricted to foreign investment under the applicable PRC laws and regulations.

On December 11, 2001, the State Council promulgated the Regulations on Administration of Foreign-invested Telecommunication Enterprises《外商投資電信企業管理規定》(the "FITE Regulations"), which was amended on September 10, 2008. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must demonstrate experience and a good track record in operating value-added telecommunications businesses, and must obtain approvals from the MIIT and the MOFCOM or its competent local branches prior to investing.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunication Services《關於加強外商投資經營增值電信業務管理的通知》(the "MIIT Circular"). The MIIT Circular further strengthened regulation of foreign investment in value-added telecommunication services, by, *inter alia*, prohibiting domestic telecommunication service providers from leasing, transferring or selling telecommunication business operating licenses to any foreign investor in any form, or requiring domain names and trademarks used by any value-added telecommunication service providers to be held by either the holder of the ICP license or shareholders of such ICP license holder. Furthermore, domestic telecommunication service providers are prohibited from providing any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications businesses in China. If the ICP license holder fails to comply with the requirements in the MIIT Circular and fails to remedy its non-compliance within a specified period of time, the MIIT or its local branches may take actions against such license holder, including revoking its ICP license.

In order to comply with foreign ownership restrictions, we conduct our operations in China through Guangzhou Baitian through the Contractual Arrangements. Guangzhou Baitian is treated as our consolidated affiliated entity. We exercise effective control through the Contractual Arrangement and receive economic benefits generated from Guangzhou Baitian. For a description of these Contractual Arrangements with Guangzhou Baitian, see section headed "Contractual Arrangements."

Online Games Administration Measures

On June 29, 2004, the State Council issued a Decision of the State Council on Items that Remain Necessary for Administrative Examination and Approval《國務院對確需保留的行政審批專案設定行政許可的決定》, as amended on January 29, 2009, according to which the establishment of for-profit Internet culture entities remains to be an item that requires administrative examination and approval.

Effective on April 1, 2011, the MOC issued the Interim Administrative Provisions on Internet Culture《互聯網文化管理暫行規定》(the "Interim Administrative Provisions"). The Interim Administrative Provisions apply to entities engaging in activities relating to "online cultural products," including cultural products that are produced specifically for Internet use, such as online music and entertainment, online games, online plays, online

performances, online works of art and web animation, and other online cultural products that produce or reproduce music, entertainment, games, plays and other art works for Internet dissemination through technical means.

Under the Interim Administrative Provisions, commercial entities are required to apply to the relevant local branch of the MOC for a Network Cultural Business Permit《網絡文化經營許可證》("Network Cultural Business Permit") if they engage in the following activities: production, duplication, importation, release or broadcasting of online cultural products; the dissemination of online cultural products on the Internet or the transmission of such products via Internet or mobile phone networks to user terminals, such as computers, phones, television sets and gaming consoles; Internet surfing service sites such as Internet cafes; or exhibitions and competitions of Internet cultural products.

Effective on August 1, 2010, the Interim Measures for Internet Games《網絡遊戲管理暫行辦法》(the "Interim Measures") was issued by the MOC. The Interim Measures regulate a broad range of activities related to the online games business, including the development and production of online games, the operation of online games, the issuance of virtual currencies used for online games and virtual currency trading services. The Interim Measures provide that any entity that is engaged in online game operations must obtain a Network Cultural Business Permit. Furthermore, the Interim Measures require the content of imported online games to be examined and approved by the MOC before the game comes online, and the content of domestic online games to be filed with the MOC within 30 days of the game coming online.

We were granted the Network Cultural Business Permit from the Guangdong branch of the MOC on October 21, 2013, which will expire on June 25, 2015 and needs to be renewed by the expiry date. We have completed the filings of Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoqi, Aoduo Park, Clashes of Aoqi and Planet of Light with the MOC.

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 issued by the MOC and took effect on July 29, 2010, specifies the entities subject to the Online Game Measures and the procedures related to the MOC's review of online game contents, and emphasizes the protection of minor online game players, and requests online game operators to promote real-name registration by their game players.

On July 11, 2008, the General Office of the State Council issued the Regulation on Main Functions, Internal Organization and Staffing of the PRC General Administration of Press and Publication《國家新聞出版總署(國家版權局) 主要職責內設機構和人員編制規定》(the old "Regulation on Three Provisions"). On September 7, 2009, the Central Organization Establishment Commission issued the corresponding interpretation, or the Interpretation on old Three Provisions, collectively as the Regulation on Three Provisions and Interpretation thereof. The old Regulation on Three Provisions and Interpretation thereof conferred on the MOC the overall jurisdiction to regulate the online game industry, while granted GAPP the authority to grant approvals for the Internet publication of online games, by expressly stating that (i) administration over online games (other than pre-examination and approval before Internet publication of online games) is granted to the MOC; (ii) subject to MOC's overall administration, the GAPP is responsible for the pre-examination and approval for Internet publication of online games; and (iii) once games are launched online, the online games will be administrated and regulated by the MOC only.

We have obtained approvals for the Internet publications of Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoqi, Aoduo Park, Clashes of Aoqi and Planet of Light from the GAPP.

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 MOC, the SARFT and the GAPP《中央機構編制委員會辦公室對文化部、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》, which was issued by the State Commission Office for Public Sector Reform (a division of the State Council) and became effective on September 7, 2009, provides that the GAPP will have responsibility for the examination and approval of online games to be uploaded on the Internet and that, after such upload, online games will be administered by the MOC.

On September 28, 2009, the GAPP together with several other governmental authorities jointly published the Notice Regarding the Consistent Implementation of the "Regulation on Three Provisions" of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games《關於貫徹落實國務院<"三定"規定>和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》(the "2009 GAPP Notice"). The 2009 GAPP Notice was issued for the purpose of consistent implementation of the Regulation on Three Provisions and Interpretation thereof. However, Article IV of the 2009 GAPP Notice prohibits foreign investors from controlling or participating in online game operating businesses directly or indirectly through wholly-owned, equity joint venture or cooperative joint venture investments in PRC, or through agreements or provision of technical support. For the implementation of Article IV of the 2009 GAPP Notice and its impact on us, please see "Risk Factors — Risks Related to Our Contractual Arrangements — If the relevant PRC authorities find that the agreements that establish the structure for operating our virtual worlds and e-learning products in China do not comply with PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, we could be subject to severe penalties, including the shutting down of our websites, or be forced to relinquish our interests in our operations."

On March 19, 2013, the State Council issued the Notice of the State Council on the Setup of Institutions《國務院關於機構設置的通知》. According to this Notice, SARFT and the GAPP merged into the State Administration of Press and Publication, Radio, Film and Television (the "SAPPRFT"). On July 11, 2013, the General Office of the State Council issued the Regulation on Main Functions, Internal Organization and Staffing of the SAPPRFT《國家新聞出版廣電總局主要職責內設機構和人員編制規定》(the new "Regulation on Three Provisions"). According to the new Regulation on Three Provisions, the allocation of responsibilities regarding online games administration between the SAPPRFT and the MOC remain unchanged as compared to that under the old Regulation on Three Provisions.

Internet Publication

Effective on August 1, 2002, the Tentative Measures for Internet Publication Administration《互聯網出版管理暫行規定》(the "Internet Publication Measures") was issued by the GAPP and the MIIT. The Internet Publication Measures imposed a license requirement for any company that intends to engage in Internet publishing, defined as any act by an Internet information service provider to select, edit and process content or programs and to make such content or programs publicly available on the Internet. Since the provision of online games is deemed an Internet publication activity, an online game operator must obtain an Internet publishing license in order to directly offer its online games to the public in the PRC.

Under the 2009 GAPP Notice, no entity or individual shall engage in the operations and services of online games without the pre-approval of the GAPP and obtaining an Online Publication License《互聯網出版許可證》with online games included in the business scope.

The Rules for the Administration of Electronic Publications《電子出版物出版管理規定》(the "Electronic Publication Rules") promulgated on February 21, 2008 by the GAPP regulate the production, publication and importation of electronic publications in the PRC and outline a licensing system for business operations involving electronic publication.

We have received the Online Publication License issued by the GAPP to publish online games commencing from April 5, 2012 through April 5, 2017. We will renew the Online Publication License upon expiration.

Regulation on Internet Bulletin Board Services

On November 6, 2000, the MIIT promulgated the Internet Electronic Bulletin Service Administrative Measures《互聯網電子公告服務管理規定》(the "BBS Measures"). The BBS Measures require Internet content providers to obtain specific approvals before they provide BBS services, which include electronic bulletin boards, electronic forums, message boards and chat rooms.

On March 7, 2001, the MIIT issued the Notice Regarding Strengthening the Approval and Supervision on the Bulletin Board Service of Internet Information Services《關於進一步做好互聯網資訊服務電子公告服務審批管理工作的通知》to further specify the qualification and requirement for approval of BBS services and emphasize the principles of Daily supervision on BBS services. On July 4, 2010, the State Council promulgated the Decisions on Canceling and Lowering the Administrating Levels of the Items subject to Administrative Approval (the Fifth Batch)《國務院關於第五批取消和下放管理層級行政審批專案的決定》and the item of administrative approval or filing requirement for BBS has been cancelled.

Virtual Currency

On February 15, 2007, the MOC, the SAIC and other relevant governmental authorities jointly issued the Circular on Further Strengthening the Administration of Internet Cafes and Online Games《關於進一步加強網吧及網絡遊戲管理工作的通知》(the "Internet Cafes Circular"). Under the Internet Cafes Circular, SAIC is directed to strengthen the administration of virtual currency in online games to avoid any adverse impact on the PRC economy and financial system. The Internet Cafes Circular provides that, (i) the total amount of virtual currency issued by online game operators and the amount purchased by individual game players should be strictly limited; (ii) a strict and clear division between virtual transactions and real transactions carried out by way of electronic commerce must be observed, in that virtual currency should only be used for purchasing virtual items and services within the online games and not for purchasing tangible or physical products; (iii) when virtual currency is redeemed, the value of the payment cannot be more than the original purchase price; and (iv) the resale for a profit, or scalping, of virtual currency is prohibited.

On June 4, 2009, the MOC and the MOFCOM jointly issued the Notice on Strengthening the Administration of Virtual Currency in 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"), which is designed to standardize the issuance and exchange service of virtual currency in online games ("VCOG") through establishing a market access threshold for the issuance and exchange of virtual currency in online games, as well as to strengthen the management of the relevant qualifications for market players. In accordance with the provisions of the Virtual Currency Notice, online game virtual currency shall mean a virtual trading tool manifested in specific digital units, independent of the game programs, and preserved in the form of electromagnetic records in the server provided by online game operators; such virtual currency is issued by online game operators and is purchased, directly or indirectly, by game users with legal currency at a certain ratio; online game virtual currency, in the form of prepaid card, prepaid money or points (excluding game tools acquired in the course of playing games), etc., is used to trade for online game related services within a specified scope and period. Any engagement in the issuance of online game virtual currency shall be regulated in accordance with the Decision of the State Council on Establishing Administrative Licensing for Administrative Examination and Approval Items that Need to be Retained (Decree No. 412 of the State Council) and the Interim Provisions on Internet Culture Administration. This means, an enterprise that intends to provide the service of online game virtual currency issuance shall first obtain an Online Culture Business Operation Certificate from the cultural authorities. According to the Virtual Currency Notice, an enterprise engaging in issuance of virtual currency is not allowed to engage in exchange of virtual currency in online games at the same time, and vice

versa. The Virtual Currency Notice requires that enterprises issuing virtual currency or providing virtual currency exchange services must meet the relevant requirements for setting up a commercial Internet culture enterprise and must apply for the Network Cultural Business Permit from the MOC. We have been granted by the MOC the Network Cultural Business Permit for the issuance of virtual currency in our virtual worlds, which will expire on June 25, 2015 and needs to be renewed upon expiration The Virtual Currency Notice further requires VCOG exchange service enterprises to (i) require a VCOG seller to register in using their real name and be associated with a domestic bank account registered with the same registration information, and retain all transaction and accounting records for no less than 180 days; (ii) develop recovery systems and technologies to detect illegal VCOG transactions and examine the exchange information it receives to prevent illegal transactions; (iii) promptly delete the improper transaction information and stop providing service once the VCOG exchange service enterprise is aware of or has confirmed after receiving notice that the VCOG was illegally obtained; and (iv) not provide service to underage game players. We do not believe our business involves VCOG exchange services, which is the provision of a marketplace or platform to exchange VCOG among users.

Pursuant to the Online Games Administration Measures, game operators who issue virtual currencies are required to ensure: (i) the virtual currencies can only be exchanged for the online game services and products provided by themselves, but not for the purchase of services and products that are provided by other game operators; (ii) the prepaid money of users for purchase of virtual currencies shall not be misappropriated; (iii) the game operators will keep purchase records of users for at least 180 days following each service rendered; (iv) the game operators will file the category, price, amount, and so forth, with the provincial culture administration which they register with.

The Filing Guidelines on Online Game Virtual Currency Issuing Enterprise and Online Game Virtual Currency Trading Enterprise《"網絡遊戲虛擬貨幣發行企業"、"網絡遊戲虛擬貨幣交易企業"申報指南》issued by the MOC on July 20, 2009 defines "Online Game Virtual Currency Issuing Enterprise" and "Online Game Virtual Currency Trading Enterprise" and stipulates that one company may not be both an "issuing enterprise" and a "trading enterprise" at the same time.

The Online Culture Business Operation Certificate is the only license or approval required under the PRC regulations for the issuance of virtual currency in the form of prepaid cards.

For more information regarding how PRC regulations related to virtual currency impact our business, please see "Risk Factors — Risks Related to Our Industry — Restrictions on virtual currency may adversely affect our game operations revenue."

Information Security and Censorship

On December 28, 2000, the Standing Committee of National People's Congress enacted a decision on Preserving Computer Network Security《關於維護互聯網安全的決定》, which reflected that the issue of how to ensure the operational and information security of the computer network has aroused general concern in PRC. This decision requires any and all entities engaged in computer network business shall carry out activities in accordance with law and, when it discovers illegal or criminal acts or harmful information on the computer network, shall take measures to suspend the transmission of harmful information and to report the matter to the relevant authority without delay.

On May 14, 2004, the MOC issued the Notice Regarding the Strengthening of Network Game Content Censorship《關於加強網絡遊戲產品內容審查工作的通知》. This notice mandates that all imported online games are required to be filed with the MOC for content examination. As of the date hereof, we have not imported any online games.

The Notice Regarding Purifying Online Games《關於淨化網絡遊戲工作的通知》promulgated jointly by the MOC, the MIIT and other governmental authorities On June 9, 2005 emphasizes the prevention of online game products and relevant operations of obscene, gambling, superstitious, and other illegal contents.

On July 12, 2005, the MOC and the MIIT promulgated the Opinions on the Development and Administration of Online Game《關於網絡遊戲發展和管理的若干意見》, the MOC will censor online games that threaten state security, disturb the social order, or contain obscenity or violence.

On November 13, 2009, the MOC issued the Notice Regarding the Improving and Strengthening of Network Game Content Administration《關於改進和加強網絡遊戲內容管理工作的通知》. This notice emphasizes that all imported and domestic online games are required to be filed with the MOC for content examination. We have completed the filings of Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoqi, Aoduo Park, Clashes of Aoqi and Planet of Light with the MOC.

According to the Interim Measures, no online game shall contain anything: (i) violating the basic principles determined in the Constitution; (ii) compromising the unity, sovereignty or territorial integrity of the state; (iii) divulging a national secret, jeopardizing the national security or damaging the honor and interests of the state; (iv) instigating hatred or discrimination among ethnic groups, undermining the solidarity among ethnic groups, or disrespecting ethnic customs and practices; (v) advocating cult or superstition; (vi) spreading rumors to disrupt the public order and social stability; (vii) advocating obscenity, pornography, gambling or violence, or abetting the commission of a crime; (viii) insulting or defaming others and injuring the legitimate rights and interests of others; (ix) breaching social morality; or (x) otherwise prohibited by any law, administrative regulation or provision of the state.

On July 16, 2013, Regulation on Personal Information Protection of Telecom and Internet Users《電信和互聯網使用者個人資訊保護規定》was issued by the MIIT and will take effect from September 1, 2013. The Regulation requires Internet information service providers to comply with the principals of legitimacy, rightfulness and necessity and be responsible for the safety of users' personal information, such as name, date of birth, ID number, address, telephone number, account number, password, in the course of collecting and using such information. The Regulation provides that Internet information service providers which have failed to formulate and publish rules for collection and use of user information or establish and publish complaint mechanism should take corrective measures within a specified time limit, and may be subject to a fine of up to RMB10,000. Internet information service providers who fail to perform other material personal information protection obligations as required under the Regulation may be imposed a fine of RMB10,000 to RMB30,000. Nevertheless, if any violation constitutes a crime, the responsible Internet information service providers may be subject criminal liabilities as well.

For more information regarding how PRC regulations related to information security and censorship impact our business, please see "Risk Factors — Risks Related to Our Industry — Regulation and censorship of information disseminated over the Internet in China may adversely affect our business, and we may be liable for information displayed on, retrieved from, or linked to our Internet websites" and "Risk Factors — Risks Related to Our Business — We could be liable for our users' privacy being compromised, which may materially and adversely affect our reputation and business."

Addiction Prevention and Identity Verification System

On April 15, 2007, the GAPP and several other governmental authorities issued the Notice on Implementation of Online Game Anti-Addict Systems to Protect the Physical Psychological Health of Juveniles《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》, a circular requiring the implementation of an addiction prevention and the identity verification system by all PRC online game operators, in an effort to curb addictive online game play behaviors in minors under 18. Game operators are required to reduce in-game gains

or benefits after three hours of continuous play and eliminate in-game gains or benefits after five or more hours of continuous play. To identify whether a game player is a minor and thus subject to the addiction prevention system, an identity verification system is also required to be adopted by every game operator, which requires online game players to register their real identity information before they play online games and requires game operators to submit the identity information of game players who are preliminarily identified as minors by game operators to the public security authority for verification.

On July 1, 2011, the GAPP and several other governmental authorities issued the Notice on Launching the Work of Online Game Anti-addict Real Name Authentication《關於啟動網絡遊戲防沉迷實名驗證工作的通知》, requiring the online game anti-addict real name authentications to be launched on the date of such notice for a trial implementation period before September 30, 2011 and for the official implementation from October 1, 2011 onward.

We have implemented addiction prevention programs for all of our virtual worlds. However, since the users of our virtual worlds are principally minors, the implementation of an identity verification system has practical difficulties, mainly because most minors do not have PRC identity cards. We understand that the purpose of identity verification system required under the abovementioned circular and notice is to facilitate addiction prevention, hence, we have implemented addiction prevention programs for all users of our virtual worlds. We have established the identity verification system in all of our virtual worlds and are currently using it as one of the options for registration. We plan to use the identity verification system as the only option for registration once required by relevant authorities.

For more information regarding how PRC regulations related to addiction prevention and identity verification system impact our business, please see "Risk Factors — Risks Related to Our Industry — Uncertainties in PRC Government policies and regulations regarding virtual worlds and children's Internet use in China may adversely affect our business."

Internet infringement

The Tort Law of the PRC《中華人民共和國侵權責任法》, which was promulgated by the Standing Committee of National People's Congress on December 26, 2009, became effective on July 1, 2010. According to the Tort Law, an Internet user or an Internet service provider who infringes upon the civil rights or interests of others through the use of the Internet will assume tort liability. Where an Internet user infringes upon the civil rights or interests of another through the use of the Internet, the person harmed will be entitled to notify and request the Internet service provider whose Internet services are facilitating the infringement to take necessary measures including the deletion, blocking or disconnection of an Internet link. If, after being notified, the Internet service provider fails to take necessary measures in a timely manner to end the infringement, it will be jointly and severally liable for any additional harm caused by its failure to act. Under the Tort Law, civil rights and interests will include the personal rights and rights of property, such as the right to life, right to health, right to name, right to reputation, right to honor, right of portraiture, right of privacy, right of marital autonomy, right of guardianship, right to ownership, right to usufruct, right to security interests, copyright, patent right, exclusive right to use trademarks, right to discovery, right to equity interests and right of heritage.

The 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》 provide that the provision through information network by web players or web servicers without authorization of works, performances or audio-video products to which another person has the right of dissemination through information networks shall be deemed to have infringed upon such other person's right of dissemination through information networks.

For more information regarding how PRC regulations related to Internet infringement impact our business, please see "Risk Factors — Risks Related to Our Business — We and our licensees may be subject to intellectual

property infringement claims, which could be time-consuming and costly to defend and may result in diversion of our financial and management resources. If such claims are successful, we may not be allowed to continue use certain of our ideas and designs."

Regulations on Internet Audio-visual Programs

Effective on October 11, 2004, SARFT promulgated Measures for the Administration of the Publication of Audio-visual Programs through the Internet or Other Information Network《互聯網等信息網絡傳播視聽節目管理辦法》, which applies to the activities relating to the opening, broadcasting, integration, transmission or download of audio-visual programs via Internet or other information network. An applicant who engages in the business of transmitting audio-visual programs shall apply for the Audio-visual Program License issued by SARFT in accordance with the categories of business, receiving terminals, transmission networks and other items. Foreign invested enterprises are not allowed to engage in the above business.

On December 20, 2007, SARFT and the MIIT jointly promulgated the Administrative Provisions on Internet Audio-visual Program Service《互聯網視聽節目服務管理規定》(the "Audio-visual Program Provisions"), which came into effect on January 31, 2008. The Audio-visual Program Provisions apply to the provision of audio-visual program service to the public via Internet (including mobile network) within the territory of the PRC. Providers of Internet audio-visual program services are required to obtain the Audio-visual Programs License or complete certain registration procedures with SARFT. Providers of Internet audio-visual program services are generally required to be either state-owned or state-controlled by the PRC Government, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for Internet audio-visual program services determined by SARFT. Following the effectiveness of the Audio-visual Program Provisions, companies other than state-owned or state-controlled companies looking to engage in Internet audio-visual program services should obtain the Audio-visual Program License by acquiring a company that was granted the license before the qualification requirement under the Audio-visual Program Provision came into effect on January 31, 2008. In a press conference jointly held by SARFT and the MIIT to answer questions with respect to the Audio-visual Program Provisions in February 2008, SARFT and the MIIT clarified that providers of Internet audio-visual program services who engaged in such services prior to the promulgation of the Audio-visual Program Provisions shall be eligible to register their business and continue their operation of Internet audio-visual program services so long as those providers had not been in violation of the laws and regulations.

We have historically placed links in our website, through which our users can access the audio-visual programs on certain video websites. We do not hold the Audio-visual Program License and in the opinion of the our PRC legal advisers, we were required to obtain the license before we could offer the above services. We have ceased offering such services in September 2013.

Regulations on Online Educational Services

On July 5, 2000, the MOE promulgated the Measures for the Administration of Educational Websites and Online School《教育網站和網校暫行管理辦法》. According to the Measures, an entity that opens educational websites and online schools is required to obtain the prior approval from the competent education administrative authorities. The educational websites are defined as institutions which establish information database by collecting, editing and storing educational information or establish online platform and search tools for educational purpose and provide study and other public educational information to the website users through connection with Internet or educational TV stations. The Measures also set forth specific provisions regarding the qualifications and procedures for obtaining the approval for operating educational websites.

In accordance with the Detailed Rules of Guangdong Educational Website and Online School Administration《廣東省教育網站和網校管理實施細則》promulgated by Guangdong Education Bureau on August 11, 2004, the various educational websites and online schools opened in Guangdong, the educational websites and online schools opened outside Guangdong but addressing users in Guangdong and their agents (covering the forms of

study card and membership card), and branch campuses and instruction centers established in Guangdong by online academies set up with approval of the MOE shall, in line with the principles laid down by the MOE on the aligning educational website and online school administration with traditional education administration, be filed with and approved by Guangdong Education Bureau before being launched.

We obtained the approval for operating WenTa, our e-learning product, from the Guangdong Provincial Department of Education on October 29, 2013.

Regulations Related to Intellectual Property Rights

Under the Copyright Law of the People's Republic of China《中華人民共和國著作權法》(the "Copyright Law") (1990), as revised in 2001 and 2010, and its related Implementing Regulations《中華人民共和國著作權法實施條例》(2002), as revised in 2011 and 2013, creators of protected works enjoy personal and property rights with respect to publication, authorship, alteration, integrity, reproduction, distribution, lease, exhibition, performance, projection, broadcasting, dissemination via information network, production, adaptation, translation, compilation and related activities. The term of a copyright, other than the rights of authorship, alteration and integrity of the author, which is unlimited in time, is life plus 50 years for individual authors and 50 years for corporations. In consideration of the social benefits and costs of copyrights, China balances copyright protections with limitations that permit certain uses, such as for private study, research, personal entertainment and teaching, without compensation to the author or prior authorization.

Effective on February 20, 2002, the Computer Software Copyright Registration Measures《計算機軟件著作權登記辦法》(the "Software Copyright Measures") regulate the registration of software copyrights, excluding licensing and transfer contracts for software copyright. The National Copyright Administration of China shall be the competent authority for the administration of software copyright registration nationwide; 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 Copyright applicants which conform to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations《計算機軟件保護條例》.

Effective on April 10, 2009, the MIIT promulgated the Administrative Measures on Software Products《軟件產品管理辦法》(the "Software Measures") replaced the original *Administrative Measures on Software Measures* promulgated by MII in October 2000 to regulate software products and promote the development of the software industry in China. Pursuant to the Software Measures, software products which are developed in China and registered with the local provincial government authorities in charge of the information industry and filed with the MIIT may enjoy the relevant encouragement policies. Software developers or producers may sell or license their registered software products independently or through agents. Upon registration, the software products will be granted registration certificates. Each registration certificate is valid for five years and may be renewed upon expiration.

The PRC Trademark Law《中華人民共和國商標法》, adopted in 1982 and revised in 2001, with its implementation rules adopted in 2002, protects registered trademarks. The PRC Trademark Office of SAIC handles trademark registrations and grants a protection term of ten years to registered trademarks.

The MIIT amended its Administrative Measures on China Internet Domain Names《中國互聯網域名管理辦法》in 2004. According to these measures, the MIIT is in charge of the overall administration of domain names in China. The registration of domain names in PRC is on a "first-apply-first-registration" basis. A domain name applicant will become the domain name holder upon the completion of the application procedure.

The State Council and the National Copyright Administration (the "NCAC") have promulgated various rules and regulations relating to the protection of software in China. Under these rules and regulations, software owners, licensees and transferees may register their rights in software with the National Copyright Administration or its

local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to go through the registration process to enjoy better protections of registered software rights. We have taken steps to actively protect our intellectual property rights. As of the Latest Practicable Date, we received approval for 196 and seven trademark registrations in China and Hong Kong, respectively, and are in the process of applying for registration of an additional 129 and 23 trademarks in China and Hong Kong, respectively. In addition, we have obtained 16 copyright registrations for software we developed and 20 copyright registrations for artworks owned by us. We also registered 113 domain names in China, three domain names in Hong Kong and two domain names in Taiwan, including www.100bt.com, our primary operating website.

Regulations Related to Foreign Currency Exchange and Dividend Distribution

Foreign currency exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations《外匯管理條例》, as amended in August 2008. Under these regulations, the RMB is freely convertible for current account items, including the trade and service-related foreign exchange transactions and other current exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities, unless the prior approval of SAFE is obtained and prior registration with SAFE is made.

In October 2005, SAFE issued Circular 75, which became effective as of November 1, 2005. This was further supplemented by an implementing notice issued by SAFE on November 24, 2005. Circular 75 suspends the implementation of two prior regulations promulgated in January and April of 2005 by SAFE. Circular 75 states that PRC residents, whether natural or legal persons, must register with the relevant local SAFE branch prior to establishing or taking control of an offshore entity established for the purpose of overseas equity financing involving onshore assets or equity interests held by PRC residents. The term "PRC legal person residents" as used in Circular 75 refers to those entities with legal person status or other economic organizations established within the territory of the PRC. The term "PRC natural person residents" as used in Circular 75 includes all PRC citizens and all other natural persons, including foreigners, who habitually reside in China for economic benefit. PRC residents are required to complete amended registrations with the local SAFE branch upon (i) injection of equity interests or assets of an onshore enterprise into an offshore entity, or (ii) subsequent overseas equity financing by such offshore entity. PRC residents are also required to complete amended registrations or filings with the local SAFE branch within 30 days of any material change in the shareholding or capital of the offshore entity, such as changes in share capital, share transfers and long-term equity or debt investments, and providing security. PRC residents who had already incorporated or gained control of offshore entities that had made onshore investment in the PRC before Circular 75 was promulgated must register their shareholding in the offshore entities with the local SAFE branch on or before March 31, 2006.

Under the Circular 75, PRC residents are further required to repatriate to the PRC all of their dividends, profits or capital gains obtained from their shareholdings in the offshore entity within 180 days of their receipt of such dividends, profits or capital gains. The registration and filing procedures under the Circular 75 are prerequisites for other approval and registration procedures necessary for capital inflow from the offshore entity, such as inbound investments or shareholders loans, or capital outflow to the offshore entity, such as the payment of profits or dividends, liquidating distributions, equity sale proceeds, or the return of funds upon a capital reduction.

All our individual shareholders who are subject to Circular 75 have obtained registration with regard to the establishment of our company and the later changes of their shareholding in our company as required under Circular 75.

On August 29, 2008, SAFE issued the Circular of the General Department of SAFE on Improving on Relevant Business Operations Issues Concerning the Administration of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises《國家外匯管理局關於完善外商投資企業外匯資本金支付結匯管理有關業務

操作問題的通知》, according to which, a foreign-invested enterprise shall authorize an accounting firm to conduct capital verification before applying for the settlement of the foreign exchange capital. The settled foreign exchange capital may only be used for purposes within the business scope approved by the relevant PRC Government and may not be used for equity investment unless specifically provided for otherwise. It is also prohibited to use the settled foreign exchange capital for purchasing domestic real estate for any purpose other than its own use, unless the enterprise is a foreign-invested real estate enterprise. In addition, the use of such settlement of foreign exchange under capital account of foreign-invested enterprises may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used.

Effective on December 17, 2012, SAFE issued the Notice of the SAFT on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment 《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》("Circular 59"), whereby the Operating Rules on Foreign Exchange Businesses for the Direct Investment under Capital Accounts was promulgated, which covered the foreign exchange filing procedures for domestic residents investment via offshore special purpose companies.

Effective on May 13, 2013, SAFE issued Notice of SAFE on Issuing the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors and the Supporting Documents 《國家外匯管理局關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》, which promulgated the Operating Guidelines for the Domestic Direct Investment Service.

On February 15, 2012, SAFE promulgated the Notice on Issues concerning the Foreign Exchange Administration of Domestic Individuals' Participation in Equity Incentive Plans of Overseas Listed Companies 《關於境內個人參與境外上市公司股權激勵計畫外匯管理有關問題的通知》("Circular 7"). Under Circular 7, PRC citizens who are granted employee stock ownership plans, stock option plans, and other incentive plans permitted by laws and regulations by an overseas publicly listed company are required, through a PRC agent, to complete certain procedures and transactional foreign exchange matters under the stock option plan upon the examination by, and the approval of SAFE. The PRC agent shall be a domestic company participating in the equity incentive plan or any other domestic institution qualified for the asset custody business as legally appointed by the domestic company.

For more information regarding how PRC regulations related to foreign currency exchange impact our business, please see "Risk Factors — Risks Related to the PRC — Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC Government, including restrictions on our PRC subsidiary's abilities to pay dividends or make distributions to us and our ability to increase investment in our PRC subsidiary."

Dividend distribution

The principal regulations governing distribution of dividends of foreign holding companies include the Foreign Investment Enterprise Law《中華人民共和國外資企業法》issued in 1986 and amended in 2000, and the Implementation Rules under the Foreign Investment Enterprise Law《中華人民共和國外資企業法實施細則》issued in 1990 and amended in 2001. Under these regulations, foreign investment enterprises in the PRC may pay dividends only out of their accumulated profits, if any, the amount of which are to be determined in accordance with PRC accounting standards and regulations. In addition, foreign investment enterprises in the PRC are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. Funds held in these reserves are not distributable as cash dividends.

Guangzhou WFOE, as a wholly-owned foreign enterprise, shall comply with the above regulations, which will reduce the economic benefits payable to us and eventually affect the value of **[REDACTION]**.

Regulations Related to Taxation

On March 16, 2007, the National People's Congress passed the new Enterprise Income Tax Law《中華人民共和國企業所得税法》(the "EIT Law"), which became effective on January 1, 2008. On December 6, 2007, the State Council approved and promulgated the Implementation Rules of PRC Enterprise Income Tax Law《中華人民共和國企業所得税法實施條例》, which took effect simultaneously with the EIT Law.

The Administrative Measures for the Determination of High and New Technology Enterprises《高新技術企業認定管理辦法》was promulgated by the Ministry of Finance, Ministry of Science and Technology, SAT on April 14, 2008, and came into effect on January 1, 2008. According to the Administrative Measures for the Determination of High and New Tech Enterprises, a High and New Technology Enterprise may apply for the tax benefits under the EIT Law and the Implementation Rules of the EIT Law. Once an enterprise obtains the High and New Technology Enterprise qualification, it may apply for the tax reduction or exemption with the competent tax authorities. Guangzhou Baitian was qualified as a High and New Technology Enterprise for the years 2011, 2012 and 2013 and as a result was subject to a preferential income tax treatment of 15% for the years 2011, 2012 and 2013. Guangzhou Baitian must apply for review and re-approval by the relevant authority with respect to such qualification in 2014 for the future periods.

The Provisional Regulation of the PRC on Value-added Tax《中華人民共和國增值税暫行條例》was promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994. The tax was subsequently amended on November 10, 2008 and came into effect on January 1, 2009. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax《中華人民共和國增值税暫行條例實施細則（2011修訂）》was promulgated by the Ministry of Finance and SAT on December 15, 2008 which was subsequently amended and came into effect on November 1, 2011 (collectively, the "VAT Law"). According to the VAT Law, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay VAT. For general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Law, the VAT rate is 17%.

Pursuant to the Provisional Regulations of the PRC on Business Tax《中華人民共和國營業税暫行條例》, which became effective on January 1, 1994 and was subsequently amended on November 10, 2008 and became effective on January 1, 2009, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax (營業税税目税率表) attached to the regulation.

The EIT Law applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises and eliminates many of the preferential tax policies afforded to foreign investors. Furthermore, dividends out of post-2007 earnings paid by a foreign-invested enterprise to a non-resident shareholder are now subject to a withholding tax of 10%, which may be reduced under any applicable bi-lateral tax treaty between the PRC and the jurisdiction where the non-resident shareholder resides. According to the Administrative Measures for Non-residents Enjoying Tax Treaty Benefits (Trial Implementation)《非居民享受税收協定待遇管理辦法（試行）》issued by SAT on August 24, 2009, which became effective on October 1, 2009, an applicant seeking a preferential withholding tax rate under a bilateral tax treaty must apply to the competent PRC tax authorities for recognition of eligibility for such treaty benefits. According to the Circular of the State Administration of Taxation on How to Understand and Identify "Beneficial Owner" under Tax Treaties《關於如何理解和認定税收協定中"受益所有人"的通知》, which became effective on October 27, 2009 ("Circular 601"), the PRC tax authorities must evaluate whether an applicant for treaty benefits with respect to dividends, interest and royalties qualifies as a "beneficial owner" on a case-by-case basis, and must follow the "substance over form" principle. Under the provisions of Circular 601, if the applicant cannot not provide proof of substantial business activities and is an agent or conduit company, the applicant cannot be granted Beneficial Owner" status or enjoy any treaty benefits.

The Arrangement between Mainland of the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》signed on August 21, 2006, applies to, in Hong Kong, income derived in any year of assessment commencing on or after April 1, 2007, and in the PRC, income derived in any year commencing on or after January 1, 2007. Under this tax arrangement, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it is deemed the beneficial owner by PRC tax authorities and holds a 25% or more equity interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary or is not the beneficial owner of the income.

An enterprise registered under the laws of a jurisdiction outside the PRC may be deemed a PRC tax resident if its place of effective management is in the PRC. According to the implementation rules, an enterprise's place of effective management may be deemed to be in the PRC if the PRC is the location of its "*de facto* management bodies," which are defined as the bodies that have substantial and overall management and control over such aspects as the production and the business, personnel, accounts and properties of the enterprise.

In addition, under the EIT Law, foreign shareholders could become subject to a 10% income tax on any gains realized from the transfer of their shares, if such gains are regarded as income derived from sources within the PRC, and the enterprise in which their shares invested is considered a "tax resident enterprise" in the PRC. Once a non-PRC company is deemed to be a PRC tax resident by following the "place of effective management" concept and any dividend distributions from such company are regarded as income derived from sources within the PRC, PRC withholding income tax may be imposed and applied to dividend distributions from the deemed PRC tax resident to its foreign shareholders, and dividends distributed by its PRC subsidiaries to such deemed PRC tax resident would be exempt from PRC tax if certain requirement are met.

Pursuant to the PRC Individual Income Tax Law《中華人民共和國個人所得稅法》(the "Individual Income Tax Law"), adopted on December 29, 2007 and revised on June 30, 2011, individuals who are domiciled in the PRC, or who are not domiciled but have resided in the PRC for at least one year, are required to pay Individual Income Taxes in accordance with the Individual Income Tax Law on income derived from sources in and outside the PRC. Individuals who are neither domiciled in nor residents of the PRC, or who are not domiciled and reside for less than one year in the PRC, are required to pay Individual Income Taxes in accordance with this law on income derived from sources within the PRC.

For more information regarding how PRC regulations related to taxation impact our business, please see "Risk Factors — Risks Related to the PRC — We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in our global income being subject to 25% PRC enterprise income tax" and "Risk Factors — Risks Related to the PRC — You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares."

Regulations on Employment

According to the Labor Law of the PRC《中華人民共和國勞動法》promulgated on July 5, 1994 and effective on January 1, 1995, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, and educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

The Labor Contract Law of the PRC《中華人民共和國勞動合同法》(the "Labor Contract Law"), which was implemented on January 1, 2008 and revised on December 28, 2012, is primarily aimed at regulating the rights

and obligations of employees and employers, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner. In addition, according to the Labor Contract Law, (i) employers must pay laborers double income in circumstances where an employer fails to enter into an employment contract within the time limit that is more than a month but less than a year from the date of employment. Where such period exceeds one year, the parties are deemed to have entered into a labor contract with an "unfixed term;" (ii) employees who fulfill certain criteria, including having worked for the same employer for ten years or more, may demand that the employer execute a labor contract with them with an unfixed term; (iii) employees must adhere to regulations in the labor contracts concerning commercial confidentiality and non-competition; (iv) an upper limit not exceeding the cost of training supplied to the employee has been set as the amount of compensation an employer may seek for an employee's breach of the provisions concerning term of services in the labor contract; (v) employees may terminate their employment contracts with their employers if their employers fail to make social insurance contributions in accordance with the law; (vi) employers who demand money or property from employees as guarantee or otherwise may be subject to a fine of RMB2,000 per employee as maximum penalty; and (vii) employers who intentionally deprive employees of any part of their salary must, in addition to their full salary, pay such employees compensation ranging from 50% to 100% of the amount of salary so deprived if they fail to pay the salary deprived within a certain period required by the labor administration authorities.

As required under 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規定》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 Regulation of Insurance for Labor Injury《工傷保險條例》implemented on January 1, 2004 and revised on December 8, 2010, 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, 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, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, medical insurance, unemployment insurance, labor injury insurance and maternity insurance.

According to the Regulations on the Management of Housing Funds《住房公積金管理條例》which was promulgated by the State in 1999 and amended in 2002, enterprises must register at the competent managing center for housing funds and, upon the examination by such managing center of housing funds, complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds in full and on time.

Regulations Related to M&A and Overseas [REDACTION]

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-owned Assets Supervision and Administration Commission, SAT, SAIC, the CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors《關於外國投資者併購境內企業的規定》(the "New M&A Rules"), which became effective on September 8, 2006 and was revised by the MOFCOM on June 22, 2009. The New M&A Rules, among other things, purport to require that an offshore special vehicle, or a special purpose vehicle, formed for **[REDACTION]** purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the **[REDACTION]** of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies. Please see **[REDACTION]**."