The majority of our business are located in mainland China and a significant part of our sales are derived from mainland China. Accordingly, laws and regulations in mainland China are most relevant to our business. These include, but are not limited to, laws and regulations relating to value added telecommunication services, development and sale of mobile phones, mobile internet applications information services, information security and censorship, privacy protection, online games, internet publication and intellectual property. In addition, we also derive a portion of our revenue from Hong Kong and India, and laws and regulations in Hong Kong and India are also considered relevant.

REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATION SERVICES

Licenses for Value-Added Telecommunication Services

The Telecommunications Regulations of the People's Republic of China (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, provide a regulatory framework for telecommunications services providers in mainland 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 and last amended by the Ministry of Industry and Information Technology ("**MIIT**") on December 28, 2015, information services provided via fixed network, mobile network and Internet fall within value-added telecommunications services.

The Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) (the "**Internet Measures**"), which was promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, set out guidelines on the provision of internet information services. The Internet Measures classified internet information services into commercial internet information services and non-commercial internet information services, and a commercial operator of internet content provision services must obtain a ICP License for the provision of internet information services from the appropriate telecommunications authorities. The Administrative Measures for Telecommunications Businesses Operating Licensing (電信業務經營許可管理辦法), which was promulgated by MIIT on July 3, 2017 and became effective on September 1, 2017, provides that a commercial operator of value-added telecommunications services must first obtain an ICP License, from MIIT or its provincial level counterparts. In addition, in the first quarter of every year while the operator is holding the license, it must report information such as business performance and service quality to the issuing authorities.

Restrictions on Foreign Investment

Foreign direct investment in telecommunications companies in mainland 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 amended on September 10, 2008 and February 6, 2016, respectively. The regulations require foreign-invested value-added telecommunications enterprises in mainland 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 mainland China must demonstrate a good track record and experience in operating a value-added telecommunications business; the main foreign investor is defined as the one who makes the largest contribution among all foreign investors and has a share of 30% or more of the total amount invested by all foreign investors. Moreover, foreign investors that meet these requirements must obtain approvals from MIIT and MOFCOM, or their authorized local counterparts, which retain considerable discretion in granting approvals, for the commencement of that investor of value-added telecommunication business in mainland China.

In July 2006, the Ministry of Information Industry (the "**MII**," which is the predecessor of MIIT) released the Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (信息產業部關於加強外商投資經營增值電信業務管理的通知) (the "**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 mainland 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).

Investment activities in mainland China by foreign investors are mainly governed by the Guidance Catalog of Industries for Foreign Investment (revised in 2017) (外商投資產業指導目錄(2017年修訂)) (the "**Catalog**"), which was promulgated jointly by MOFCOM and the National Development and Reform Commission (the "**NDRC**") on June 28, 2017 and became effective on July 28, 2017. The Catalog divides industries into four categories in terms of foreign investment. Those categories are: "encouraged", "restricted", "prohibited" and all industries not listed under one of these categories are deemed to be "permitted". According to the Catalog, the internet information services that the Company's subsidiaries in mainland China currently offer falls within the scope of value-added telecommunications services (except for e-commerce) and internet cultural businesses (except for music), which are under the "restricted" categories and "prohibited" categories, respectively.

REGULATIONS RELATING TO MANUFACTURE AND SELL OF MOBILE PHONES

General Administration of Manufacturing and Selling Mobile Phones

According to the Administrative Regulations for Compulsory Product Certification (强制性產品認證管理規定), which was promulgated by the General Administration of Qualification Supervision, Inspection and Quarantine (the "**AQSIQ**") (which has merged into the State Administration for Market Regulation) on July 3, 2009, products specified by the state shall not be delivered, sold, imported or used in other business activities until they are certified (the "**Compulsory Product Certification**") and labeled with China Compulsory Certification (中國強制認證) mark. For products that are subject to Compulsory Product Certification, the state implements unified product catalogs (the "**3C Catalog**"), unified compulsory requirements, standards and compliance assessment procedures in technical specification, unified certification marks and unified charging standards. Pursuant to the First Batch Compulsory Product Certification Product Catalog (第一批實施强制性產品認證的產品目錄) (the "**First Batch 3C Product Catalog**") by the AQSIQ and the Certification and Accreditation Administration (the "**CNCA**") on December 3, 2001, mobile user

terminals and CDMA digital cellular mobile station are required to obtain the Compulsory Product Certification in order to be delivered, sold, imported or used.

Besides the Compulsory Product Certification, the seller of radio component products in mainland China is required to obtain the Radio Transmission Equipment Type Approval Certificate in accordance with the Radio Regulation of the People's Republic of China (中華人民共和國無線電管理條例), which was promulgated by the State Council, Central Military Commission on September 11, 1993, and amended on November 11, 2016, and the Administrative Regulations on Manufacturing of Radio Transmission Equipment (生產無綫電發射設備的管理規定), promulgated by the State Radio Regulation Committee (the "**SRRC**") and the State Bureau of Technical Supervision (the "**SBTS**", the predecessor of the **AQSIQ**) on October 7, 1997.

In addition, the Administrative Measures for the Network Access of Telecommunications Equipment (電信設備進網管理辦法), which was promulgated by the MII on May 10, 2001 and revised by the MIIT on September 23, 2014 provide that the State applies the network access permit system to the telecommunications terminal equipment, radio communications equipment, and equipment relating to network interconnection that is connected to public telecommunications networks. The telecommunications equipment subject to the network access permit system shall obtain the Telecommunications Equipment Network Access Permit issued by the MIIT (the "**Network Access Permit**"). Without the Network Access Permit, no telecommunications equipment is allowed to be connected to the public telecommunications networks for use nor sold on the domestic market. In the event of an application for the Network Access Permit, a production enterprise shall submit a testing report issued by a telecommunications equipment testing institution or a Compulsory Product Certification. In the event of an application for the network access permit for radio transmission equipment, a Radio Transmission Equipment Type Approval Certificate issued by the MIIT shall also be submitted.

Regulations on Product Quality

Products made in mainland China are subject to the Product Quality Law of the People's Republic of China (中華人民共和國產品質量法) (the "**Product Quality Law**"), which was promulgated on February 22, 1993, amended on July 8, 2000 and August 27, 2009. According to the Product Quality Law, a manufacturer of a product is responsible to compensate for the damages to any person or property caused by the defect of such a product, unless the manufacturer is able to prove that: (i) it has not circulated the product; (ii) the defect did not exist at the time when the product was circulated; or (iii) scientific or technological knowledge at the time when the product was circulated was not such that it allowed the defect to be discovered.

The Consumer Rights and Interests Protection Law of the People's Republic of China (中華人民共和國消費者權益保護法) (the "**Consumers Protection Law**") was promulgated on October 31, 1993 and became effective on January 1, 1994. The Consumers Protection Law has been further revised on August 27, 2009 and October 25, 2013. According to the Consumers Protection Law, unless otherwise provided by this law, an operator that provides products or services may bear civil liability in accordance with the Product Quality Law and other relevant laws and regulations. The Tort Law of the People's Republic of China (中華人民共和國侵權責任法), promulgated on December 26, 2009 and came into force on July 1, 2010, provides that in the event of damage arising from a defective product, the victim may seek compensation from either the manufacturer or seller of such a product. If the defect is caused by the seller, the manufacturer shall be entitled to seek reimbursement from the seller

upon compensation to the victim. If the defect is caused by the manufacturer, the seller shall be entitled to seek reimbursement from the manufacturer upon compensation to the victim.

Registration for Import and Export Goods

Pursuant to the Customs Law of the People's Republic of China (中華人民共和國海關法) promulgated by the SCNPC on January 22, 1987 and amended on July 8, 2000, June 29, 2013, December 28, 2013, November 7, 2016 and November 4, 2017 unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws.

Pursuant to the Administrative Provisions of the Customs of the People's Republic of China on the Registration of Customs Declaration Entities (中華人民共和國海關報關單位注冊登記管理規定) promulgated by the General Administration of Customs on March 13, 2014 and amended on December 20, 2017, coming into force on March 13, 2014, the registration of customs declaration entities comprises the registration of the customs declaration enterprise and the registration of the consignor or consignee of imported and exported goods. The consignor or consignee of imported and exported goods shall register with local customs in accordance with the laws.

REGULATIONS RELATING TO MOBILE INTERNET APPLICATIONS INFORMATION SERVICES

Mobile internet application is governed by the Provisions on the Administration of Mobile Internet Applications Information Services (移動互聯網應用程序信息服務管理規定) (the "**Provisions on Administration of Application**") promulgated by the Cyberspace Administration of China on June 28, 2016 and became effective on August 1, 2016.

Pursuant to the Provisions on Administration of Application, application information service providers shall obtain the relevant qualifications prescribed by laws and regulations, strictly implement their information security management responsibilities, and carry out the duties including to establish and complete user information security protection mechanism, to establish and complete information content inspection and management mechanisms, to protect users' right to know and right to choose in the process of usage, and to record users' daily information and preserve it for 60 days. Application store services providers shall, within 30 days of the business going online and starting operations, conduct filing procedures with the local cybersecurity and informatization department. Furthermore, internet application store service providers and internet application information service providers shall sign service agreements to determinate both sides' rights and obligations.

REGULATIONS RELATING TO INFORMATION SECURITY AND CENSORSHIP

Internet content in mainland China is regulated and restricted from a state security standpoint. The Standing Committee of the National People's Congress ("**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 mainland 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 intellectual property rights. In 1997, the Ministry of Public Security 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 Ministry of Public Security 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 government of the People's Republic of China may revoke its ICP License and shut down its websites.

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the People's Republic of China (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 mainland China all the personal information and important data collected and produced within the territory of mainland China. The purchase of network products and services that may affect national security shall be subject to national cyber security review. On May 2, 2017, the CAC issued a trial version of the Measures for the Security Review of Network Products and Services (Trial) (網絡產品和服務安全審查辦法(試行)), which took effect on June 1, 2017, to provide for more detailed rules regarding cyber security review requirements.

REGULATIONS RELATING TO PRIVACY PROTECTION

On December 13, 2005, the Ministry of Public Security 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. In December 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. In July 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (電信和互聯網用戶個人信息保護規定) to regulate the collection and use of users' personal information in the provision of telecommunication services and internet information services in mainland 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. 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, nor shall they provide personal information of

users to others, unless otherwise provided by laws and administrative regulations. 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), which clarifies several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the People's Republic of China (中華人民共和國刑法), including "citizen's personal information," "provision," and "unlawful acquisition." Also, it specifies the standards for determining "serious circumstances" and "particularly serious circumstances" of this crime.

REGULATIONS RELATING TO ONLINE GAMES

General Administration of Online Games

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 (which has merged into the Ministry of Culture and Tourism), the State Administration of Radio, Film, and Television ("**SARFT**") (which has merged into GAPPRFT) and the GAPP (關於印發<中央編辦對文化部、廣電總局、新聞出版總署<"三定"規定>中有關動漫、網絡游戲和文化市場綜合執法的部分條文的解釋>的通知), 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 be responsible 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 Ministry of Culture.

The Interim Measures for the Administration of Internet Games (網絡游戲管理暫行辦法) (the "**Internet Game Measures**"), issued by the Ministry of Culture on June 3, 2010, amended on December 15, 2017, regulate a broad range of activities related to the internet game business, including the development and production of internet games, the operation of internet games, the issuance of virtual currencies used for internet games, and virtual currency trading services. The Internet Game Measures provides that any entity that is engaged in internet game operations must obtain an online culture operating permit, and require the content of an imported internet game to be examined and approved by the Ministry of Culture prior to the launch of the game and the content of a domestic internet game must be filed within 30 days of its launch with the Ministry of Culture. The Internet Game Measures also request internet game operators to protect the interests of online players and specify certain terms that must be included in the service agreements between internet game operators and the players of their internet games. The Notice of the Ministry of Culture on the Implementation of the Interim Measure for the Administration of Online Games (文化部關於貫徹實施<網絡游戲管理暫行辦法>的通知) issued by the Ministry of Culture and which took effect on July 29, 2010 specifies entities regulated by the Online Game Measures and procedures related to the review of the Ministry of Culture of the content of online games, emphasizes the importance of protecting minors playing online games and requests online game operators to promote real-name registration by their players.

On May 24, 2016, GAPPRFT promulgated the Notice on the Administration over Mobile Game Publishing Services (關於移動游戲出版服務管理的通知), which became effective as of July 1, 2016. The Notice provides that game publishing service entities shall be responsible for examining the contents of their games and applying for game publication numbers. On December 1, 2016, the

Ministry of Culture promulgated the Circular of the Ministry of Culture on Regulating the Operation of Online Games and Strengthening the Interim and Ex Post Supervision (文化部關於規範網絡游戲運營加强事中事後監管工作的通知), which became effective on May 1, 2017. The Circular sets requirements in relation to the following aspects of online games: (i) clarifying the scope of online game operation; (ii) regulating services for issuance of virtual props of online games; (iii) strengthening the protection of the rights and interests of online game users; (iv) strengthening the interim and ex post supervision of online game operation; and (v) seriously investigating and punishing illegal operating activities.

Regulations on Anti-fatigue Compliance System and Real-name Registration

On April 15, 2007, in order to curb addictive online game-playing by minors, eight government authorities of the People's Republic of China, including the GAPP, the Ministry of Education, the Ministry of Public Security and the MIIT, jointly issued the Notice on Protecting Minors Mental and Physical health and Implementation of Online Game Anti-fatigue System (關於保護未成年人身心健康實施網絡游戲防沉迷系統的通知) requiring the implementation of an anti-fatigue compliance system and a real-name registration system by all Chinese online game operators. Under the anti-fatigue 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-fatigue 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.

Regulations on Virtual Currency

On June 4, 2009, the Ministry of Culture and the MOFCOM jointly issued the Notice on Strengthening the Administration of Online Game Virtual Currency (關於加強網絡遊戲虛擬貨幣管理工作的通知) (the "**Virtual Currency Notice**"). The Virtual Currency Notice requires businesses that (a) issue online game virtual currency (in the form of prepaid cards and/or pre-payment or prepaid card points), or (b) offer online game virtual currency transaction services to apply for approval from the Ministry of Culture through its provincial branches within three months after the issuance of the notice. The Virtual Currency Notice prohibits businesses that issue online game virtual currency from providing services that would enable the trading of such virtual currency. Any business that fails to submit the requisite application will be subject to sanctions, including, without limitation, mandatory corrective measures and fines.

Restrictions on Foreign Investment

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，進一步加强網絡游戲前置審批和進口網絡游戲審批管理的通知) (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 mainland 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.

REGULATIONS RELATING TO INTERNET PUBLICATION

License for Internet Publication

On February 4, 2016, the GAPP and the MIIT jointly issued the Regulations on Administration of Internet Publication Services (網絡出版服務管理規定) (the "**Internet Publication Regulations**"), which became effective on March 10, 2016. The Internet Publication Regulations imposed a license requirement (the "**Internet Publishing Service License**" for internet publishing activities.

Restrictions on Internet Content

The content of the internet information is also highly regulated in mainland China. On February 16, 2007, the GAPP promulgated the Notice of the General Administration of Press and Publication on Strengthening Review Work of Audio-visual Products and Electronic Publication Items and Internet Publication Items (新聞出版總署關於加强音像製品、電子出版物和網絡出版物審讀工作的通知), pursuant to which GAPP shall strengthen the review of internet publication items, including (i) annual topic plan review for those unpublished video and audio products and electronic publication, (ii) special review and daily review for published video and audio products and electronic publication; and (iii) regulation of internet publication content. According to the Internet Measures, violators who provide prohibited internet content may be subject to penalties, including criminal sanctions, operation suspension and rectification, or even revoking ICP Licenses.

Internet information service providers are also required to monitor their websites. Pursuant to the Internet Publication Regulations, the entities providing internet publication services shall adopt a system of responsibility for examination of the content of publications, an editor responsibility system, a proofreader responsibility system, and other management systems to ensure the quality of its web publications.

Restrictions on Foreign Investment

Investment activities in mainland China by foreign investors are mainly governed by the Catalog, which was promulgated jointly by MOFCOM and NDRC on June 28, 2017 and became effective on July 28, 2017. The Catalog divides industries into four categories in terms of foreign investment. Those categories are: "encouraged," "restricted," "prohibited" and all industries not listed under one of these categories are deemed to be "permitted." According to the Catalog, the internet information services that the Company's subsidiaries in mainland China currently offer falls within the scope of value-added telecommunications services (except for e-commerce) and internet cultural businesses (except for music), which are under the "restricted" categories and "prohibited" categories, respectively. "Book editing" is under the "prohibited" categories as a newly added item.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

The Copyright Law

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 People's Republic of China (Revised in 2010) (中華人民共和國著作權法 (2010年修訂)) (the "**Copyright Law**") provides that 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.

The Circular on Strengthening the Copyright Administration of Internet Literary Works (關於加强網絡文學作品版權管理的通知) promulgated by National Copyright Administration (the "**NCA**") on November 4, 2016 and effective from November 4, 2016 provides that internet service providers who provide literary works through information networks and render relevant network services shall strengthen the copyright supervision and administration, establish a sound infringing works handling mechanism, and fulfill the obligation to protect the copyright of internet literary works according to the law, shall fulfill the obligation to review the copyright of literary works disseminated and exercise their duty of care according to the law. Except as otherwise provided by laws and regulations, without the permission of right holders, the dissemination of their literary works shall be prohibited and shall establish a copyright complaint mechanism, actively accept complaints from right holders, and resolve the legitimate demands of right holders in a timely manner according to the law.

Measures on Administrative Protection of Internet Copyright (互聯網著作權行政保護辦法), that were promulgated by the MII and 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 6 months. Where an internet information service provider clearly knows an internet content provider's tortuous act of infringing upon another's copyright through internet, or fails to take measures to remove relevant contents after receipt of the copyright owner's notice although it does not know it clearly, and meanwhile damages public benefits, 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 3 times the illegal business amount; 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 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 National Copyright Administration on February 20, 2002, regulate registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration of China 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 conforms to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (計算機軟件保護條例).

The Trademark Law

Trademarks are protected by the Trademark Law of the People's Republic of China (中華人民共和國商標法) which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001 and August 30, 2013 respectively as well as the Implementation Regulation of the Trademark Law of the People's Republic of China adopted by the State Council on August 3, 2002 (Revised in 2014) (中華人民共和國商標法實施條例(2014年修訂)). In mainland China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office under the State Administration for Industry and Commerce ("**SAIC**") (which has merged into the State Administration for Market Regulation), handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As for trademarks, the Trademark Law of the People's Republic of China has adopted a "first come, first file" principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Domain Names

Internet domain name registration and related matters are primarily regulated by CNNIC Implementing Rules of Domain Name Registration (中國互聯網絡信息中心域名注冊實施細則) issued

by China Internet Network Information Center ("**CNNIC**"), the domain name registrar of mainland China, which became effective on May 29, 2012, the Administrative Measures for Internet Domain Names (互聯網域名管理辦法), issued by MIIT on August 24, 2017 and effective as of November 1, 2017, and the Measures on Domain Name Disputes Resolution (域名爭議解決辦法) issued by CNNIC which became effective on September 1, 2014. 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.

Patent Law

According to the Patent Law of the People's Republic of China (中華人民共和國專利法) amended on December 27, 2008 and the Detailed Rule for the Implementation of Patent Law amended on January 9, 2010 (中華人民共和國專利法實施細則), patent is divided into three categories: invention patent, utility model patent, and design patent.

Invention patent is intended to protect new technical solution for a product. The applicant for invention patent must prove that the subject matter product possesses novelty, creativity and practical applicability. The grant of invention patent is subject to disclosure and publication. Normally, the patent administrative authority publishes the application within 18 months after it is filed and if it meets the requirements of this Law in its preliminary review, which may be shortened upon request by the applicant. The patent administrative authority conducts a substantive review within three years from the date the application is filed. The term of protection is 20 years from the date of application. Once the invention patent right is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, offering for sale, sale or import of the patented product, or use the patented method or otherwise engage in the use, offering for sale, sale or import of the product directly derived from applying the patented method, without the licensing of the patent holder.

Utility model patent is intended to protect new technical solution in relation to a product's shape, structure or a combination thereof, which is fit for practical use. The applicant for utility model patent must prove that the subject matter product possesses novelty, creativity and practical applicability. Utility patent is granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after its preliminary review. The utility model patent is subject to the disclosure and publication upon application. The term of protection is 10 years from the date of application. Once the utility patent right is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, offering for sale, sale or import of the patented product, or use the patented method or otherwise engage in use, offering for sale, sale or import of the product directly derived from applying the patented method, without the licensing of the patent holder.

Design patent is intended to protect new design of a product's shape, pattern or a combination thereof as well as its combination with the color and the shape or pattern of a product, which creates an esthetic feeling and is fit for industrial application. The applicant for design patent protection must prove that the subject that for matter product is not identical to a prior design. The application procedure and term of protection is the same as that for utility patent. Once a design patent is granted, no individuals or entities are permitted to engage in the manufacture, offering for sale, sale or import of the product protected by such design patent, without the licensing of the patent holder.

REGULATIONS RELATING TO FINANCIAL BUSINESS

Regulations on Internet Insurance Brokerage

According to the Interim Measures for the Supervision of the Internet Insurance Business (互聯網保險業務監管暫行辦法) promulgated the China Insurance Regulatory Commission ("**CIRC**", now merged into the China Bank and Insurance Regulatory Commission) on July 22, 2015 and implemented on October 1, 2015, insurance institutions which carry out internet insurance business shall comply with the relevant provisions and shall not damage the lawful rights and interests of insurance consumers and public interest. Insurance institutions shall scientifically evaluate their risk management and control capability and customer service capability, and rationally determine insurance products appropriate for internet operations and the marketing scope thereof. If they cannot guarantee customer service quality or risk management and control, they shall make adjustments in a timely manner. Insurance institutions shall ensure that internet insurance consumers enjoy insurance services such as insurance purchase and claim settlement that are not less than those from any other business channel, and guarantee the safety of insurance transaction information and consumer information. Insurance institutions shall manage and take charge of insurance operations of the internet insurance business, including sales, underwriting, claim settlement, surrender, handling of complaints, and customer services. Third-party network platforms that engage in the aforesaid insurance business shall have obtained the qualification to engage in the insurance business. Pursuant to the Announcement on Permitting Foreign Insurance Brokerage Companies to Establish Wholly Foreign-owned Insurance Brokerage Companies (關於允許外國保險經紀公司設立外商獨資保險經紀公司的公告) promulgated by the CIRC on December 11, 2006, from December 11, 2006, foreign insurance brokerage companies are allowed to establish wholly foreign-owned insurance brokerage companies according to law without any restriction other than those on conditions for establishment and business scope.

Regulations on Micro Lending Business

Pursuant to the Guiding Opinions on the Pilot Operation of Micro Lending Companies (關於小額貸款公司試點的指導意見) promulgated by the China Bank Regulatory Commission ("**CBRC**", now merged into the China Bank and Insurance Regulatory Commission) and the People's Bank of China ("**PBOC**") on May 4, 2008, to apply for setting up a micro lending company, the applicant shall file an application in due form with the competent department of the provincial government, and, upon approval, it shall apply to the local administrative department for industry and commerce for handling the registration formalities and get the business license. The major sources of funds of a micro lending company shall be the capital paid by shareholders, donated capital and the capital borrowed from at most two banking financial institutions. The balance of the capital borrowed from banking financial institutions shall not exceed 50% of the net capital within the scope as prescribed by laws and regulations. The loan interest ceiling shall be left open but below the ceiling determined by the judicial department, and the floor interest rate shall be 0.9 times the base rate published by PBOC.

Regulations on Payment Business

Pursuant to the Administrative Measures for the Payment Services Provided by Non-financial Institutions (非金融機構支付服務管理辦法) promulgated by the PBOC on May 19, 2010, to provide payment services, a non-financial institution shall obtain a Payment Business Permit and become a payment institution. An applicant for a Payment Business Permit a limited liability company or joint-stock company legally formed inside the People's Republic of China and it is the corporate body of a non-financial institution. A payment institution shall file the statistical statements, financial accounting

report and other relevant materials on its payment business with the local branch of the PBOC as required, and the proportion of its paid-in monetary capital against its daily average balance of clients' deposits shall not be lower than 10%. Where any payment institution continues to operate the payment business after its Payment Business Permit has expired, the PBOC or the branch thereof shall order it to terminate the payment business. On January 13, 2017, the PBOC promulgated the Notice on Matters concerning Implementing the Centralized Deposit of the Funds of Pending Payments of Clients of Payment Institutions (關於實施支付機構客戶備付金集中存管有關事項的通知). According to which, beginning on April 17, 2017, a payment institution shall deposit a certain percentage of the funds of pending payments of its clients in a special deposit account with a designated institution, and there is no interest on the funds in such an account for the time being. The percentage was adjusted by PBOC on December 29, 2017 in the Notice on Adjusting the Centralized Deposit Percentage of the Funds of Pending Payments of Clients of Payment Institutions (關於調整支付機構客戶備付金集中交存比例的通知), which requires the centralized deposit percentage to be raised by 10% on a monthly basis from February to April 2018.

Regulations on Commercial Factoring

The commercial factoring is a relatively new business model in mainland China, MOFCOM had issued circulars to promote commercial factoring in the specific regions. Pursuant to the Circular on the Pilot Work of Commercial Factoring (關於商業保理試點有關工作的通知), which was promulgated by the MOFCOM on June 27, 2012, a trial implementation of commercial factoring pilot work was permitted in Tianjin Binhai New Area and Shanghai Pudong New Area to explore the approaches to develop the commercial factoring and to better utilize its role in expanding the export and promoting the development of small and medium enterprises. Later in December 2012, the said trial implementation of commercial factoring pilot work was extended to Guangzhou and Shenzhen, which allowed qualified investors from Hong Kong and Macau to establish commercial factoring company in the said cities. Pursuant to the Reply of the Ministry of Commerce on Launching Pilot Commercial Factoring Business in the Chongqing Liang Jiang New Area, the Sunan Modernization Development Demonstration Zone and the Suzhou Industrial Park (商務部關於在重慶兩江新區、蘇南現代化建設示範區、蘇州工業園區開展商業保理試點有關問題的復函), released by the MOFCOM on August 26, 2013, and amended on October 28, 2015, the trial implementation of commercial factoring was extended to Chonqing Liangjiang New Area, Sunan Modernization Development Demonstration Zone, and the Suzhou Industrial Park.

REGULATIONS RELATING TO FOREIGN EXCHANGE

General Administration of Foreign Exchange

Under the Foreign Exchange Administration Rules of the People's Republic of China (中華人民共和國外匯管理條例), promulgated on January 29, 1996 and last amended on August 5, 2008, and various regulations issued by the State Administration of Foreign Exchange ("**SAFE**") and other relevant government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local office. Payments for transactions that take place within mainland China must be made in Renminbi. Unless otherwise required by SAFE, Chinese companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with

designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of mainland China.

Pursuant to the Notice of the SAFE 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) (the "**SAFE Circular No. 59**") promulgated by SAFE on November 19, 2012, that became effective on December 17, 2012 and was further amended on May 4, 2015, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment. SAFE Notice No. 59 also simplified the capital verification and confirmation formalities for foreign invested entities, the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire equities from Chinese party, and further improved the administration on exchange settlement of foreign exchange capital of foreign invested entities.

On July 4, 2014, SAFE promulgated the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (《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》) ("**Circular 37**") (the "**Circular No. 37**"), effective as of July 4, 2014. Under Circular No. 37, (1) a resident in mainland China must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an Overseas SPV, that is directly established or indirectly controlled by the Chinese resident for the purpose of conducting investment or financing; and (2) following the initial registration, the Chinese resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's resident shareholder in mainland China, name of the Overseas SPV, term of operation, or any increase or reduction of the contributions by the Chinese resident, share transfer or swap, and merger or division. Additionally, pursuant to the Notice of SAFE on Further Simplifying and Improving the Direct Investment related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知), or SAFE Notice No. 13, which was promulgated on February 13, 2015 and became effective on June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with SAFE Notice No. 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

The Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered 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》) ("**Circular 19**") was promulgated on March 30, 2015 and became effective on June 1, 2015. According to the SAFE Notice No. 19, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Account

for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank) at the place of registration. The Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (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) (the "**SAFE Notice No. 16**") was promulgated and became effective on June 9, 2016. According to the SAFE Notice No. 16, enterprises registered in mainland China may also convert their foreign debts from foreign currency into Renminbi on self-discretionary basis. The SAFE Notice No. 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis, which applies to all enterprises registered in mainland China. The SAFE Notice No. 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investment with the exception of bank financial products that can guarantee the principal within mainland China unless otherwise specifically provided. Besides, the converted Renminbi shall not be used to make loans for unrelated enterprises unless it is within the business scope or to build or to purchase any real estate that is not for the enterprise own use with the exception for the real estate enterprise.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company (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 "**Stock Option Rules**"), individuals participating in any stock incentive plan of any overseas publicly listed company who are Chinese citizens or foreign citizens who reside in mainland China for a continuous period of not less than one year, subject to a few exceptions are required to register with SAFE or its local branches and complete certain other procedures through a domestic qualified agent, which could be a Chinese subsidiary of such overseas listed company, and complete certain other procedures. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the agent in mainland China is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the mainland Chinese agent or the overseas entrusted institution or other material changes. The mainland Chinese agents must, on behalf of the mainland Chinese residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the mainland Chinese residents' exercise of the employee share options. The foreign exchange proceeds received by the mainland Chinese residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in mainland China opened by the mainland Chinese agents before distribution to such mainland Chinese residents. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax in Relation to Equity Incentives (國家税務總局關於股權激勵有關個人所得税問題的通知) promulgated by the SAT and effective from August 24, 2009, listed companies and their domestic organizations shall, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in mainland China include the Company Law of the People's Republic of China (中華人民共和國公司法), as amended in 2005 and in 2013, the Wholly Foreign Owned Enterprise Law

of the People's Republic of China (中華人民共和國外資企業法) and its Implementing Rules, the Equity Joint Venture Law of the People's Republic of China (中華人民共和國中外合資經營企業法) promulgated in 1979 and last amended in 2016 and its implementation regulations promulgated in 1983 and last amended in 2014, and the Cooperative Joint Venture Law of the People's Republic of China (中華人民共和國中外合作經營企業法) promulgated in 1988 and last amended in 2016 and its implementation regulations promulgated in 1995 and amended in 2014. Under the current regulatory regime in mainland China, foreign-invested enterprises in mainland China may pay dividends only out of their accumulated profit, if any, determined in accordance with mainland Chinese accounting standards and regulations. A mainland Chinese company is required to set aside as general reserves 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. A mainland Chinese company 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 RELATING TO LOANS BETWEEN FOREIGN COMPANY AND ITS CHINESE SUBSIDIARIES

A loan made by foreign investors as shareholders in a foreign invested enterprise is considered to be foreign debt in mainland China and is regulated by various laws and regulations, including the Regulation of the People's Republic of China on Foreign Exchange Administration (中華人民共和國外匯管理條例) promulgated by the State Council, the Interim Provisions on the Management of Foreign Debts (外債管理暫行辦法) promulgated by the SAFE, NDRC and the Ministry of Finance and executed on March 1, 2003, the Statistical Monitoring of Foreign Debts Tentative Provisions (外債統計監測暫行規定) promulgated by the SAFE on August 27, 1987, the Detailed Rules for the Implementation of Provisional Regulations on Statistics and Supervision of External Debt (外債統計監測實施細則) effective on January 1, 1998, the Regulations on Foreign Exchange Sale, Purchase and Payment (結匯、售匯及付匯管理規定) promulgated by the PBOC on 1996 and the Administrative Measures for Registration of Foreign Debts (外債登記管理辦法) promulgated by SAFE on April 28, 2013.

Under these rules and regulations, a shareholder loan in the form of foreign debt made to a Chinese entity does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by SAFE or its local branches. According to the Law of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得税法), any interest payments, if any, on the loans are subject to a 10% withholding tax unless any such foreign shareholder's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Pursuant to the Interim Provisions of the State Administration for Industry and Commerce on the Ratio of the Registered Capital to the Total Investment of a Sino-Foreign Equity Joint Venture Enterprise (國家工商行政管 理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定), promulgated by SAIC on February 17, 1987, if the amount of foreign exchange debt of a foreign invested enterprise exceeds its borrowing limits, the enterprise is required to apply to the relevant Chinese regulatory authorities to increase the total investment amount and registered capital to allow the excess foreign exchange debt to be registered with SAFE.

REGULATIONS RELATING TO WHOLLY FOREIGN-OWNED ENTERPRISE

Under the Wholly Foreign Owned Enterprise Law of the People's Republic of China (中華人民共和國外資企業法) as amended on September 3, 2016 and the Detailed Implementing Rules for the

Wholly Foreign-Owned Enterprise Law of the People's Republic China (中華人民共和國外資企業法實施細則) as amended on February 19, 2014, an application for establishing a wholly foreign owned enterprise (the "**WFOE**"), shall be subject to examination and approval by the MOFCOM before the approval certificate is issued.

On September 3, 2016, the Decision of the Standing Committee of the National People's Congress on Revising Four Laws including the Law of the People's Republic of China on Wholly Foreign-owned Enterprises (全國人民代表大會常務委員會關於修改<中華人民共和國外資企業法>等四部法律的決定) (the "**Decision on Revision of Four Laws**") was promulgated and became effective on October 1, 2016. On October 8, 2016, MOFCOM published the Interim Measures for the Administration of Establishment and Change Filings of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) (the "**Filings Measures**") which is amended and effective on July 30, 2017. The Decision on Revision of Four Laws and the Filings Measures revised relevant administrative approval provisions of the Wholly Foreign Owned Enterprise Law of the People's Republic of China (中華人民共和國外資企業法) and other relevant laws, and the relevant formality regime for the incorporation and change of foreign-invested enterprises, whereby if the incorporation or change of foreign-invested enterprises and enterprises does not involve special access administrative measures prescribed by the Chinese government (the "**Negative List**"), the examination and approval process is now being replaced by the record-filing administration process. According to the Filings Measures, where the incorporation of foreign invested enterprises do not fall within the Negative List, such enterprises shall go through the record-filing procedures after obtaining the prior approval of the enterprise name and prior to the issuance of a business license, or within 30 days after the issuance of a business license. Within the record-filing scope of the Filings Measures, in the case of a change of basic information of the foreign-invested enterprises or their investors, a change of the basic information about the merger and acquisition transaction of the incorporated foreign-invested enterprise, a change of equity (shares) or cooperation interest of the foreign-invested enterprises, merger, division or dissolution, mortgage or transfer of foreign-invested enterprises' property or rights and interests to others and other matters, the foreign-invested enterprises shall file the relevant documents online within 30 days upon occurrence of such changes via the comprehensive administrative system. On October 8, 2016, the announcement of the NDRC and the MOFCOM [2016] No. 22 (中華人民共和國國家發展和改革委員會、中華人民共和國商務部公告2016年第22號) was published and specified that the Negative List shall be in line with the Catalog.

REGULATIONS RELATING TO M&A AND OVERSEAS LISTING

On August 8, 2006, six Chinese governmental and regulatory agencies, including MOFCOM and CSRC, promulgated the Rules on 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 new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and 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 mainland China, 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. The M&A Rules, among other things, purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by mainland

Chinese companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WARFARE

The Labor Contract Law

The Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) (the "**Labor Contract Law**"), which was implemented on January 1, 2008 and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, 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 within one year an employer fails to enter into an employment contract that is more than a month but less than a year from the date of employment and if 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 continuously 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) if an employer pays for an employee professional training, the labor contract may specify a term of service, but 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 more than RMB500 but less than RMB2,000 per employee; 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 ascertain period by the labor administration authorities.

According to the Labor Law of the People's Republic of China (中華人民共和國勞動法) promulgated on July 5, 1994 and became effective on January 1, 1995 and amended on August 27, 2009, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in mainland China. 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.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (工傷保險條例) implemented on January 1, 2004 and amended in 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, the Decisions on the Establishment of a Unified Program for Basic 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 Regulations Concerning the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) implemented on January 22, 1999 and the Social Insurance Law of the People's Republic of China (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 mainland China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (住房公積金管理條例) which was promulgated by the State Council 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, these enterprises shall 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 on behalf of their employees in full and in a timely manner.

REGULATIONS RELATING TO TAX

Enterprise Income Tax

On March 16, 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得税法) which was amended on February 24, 2017, and on December 6, 2007, the State Council enacted The Regulations for the Implementation of the Law on Enterprise Income Tax (中華人民共和國企業所得税法實施條例) (collectively, the "**EIT Law**"). The EIT Law came into effect on January 1, 2008. According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in mainland China, or if they have formed permanent establishment institutions or premises in mainland China but there is no actual relationship between the relevant income derived in mainland China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside mainland China.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as Chinese Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外注冊中資控股企業依據實際管理機構標準實施居民企業認定有關問題的通知) promulgated by the State Administration of Taxation ("**SAT**") on April 22, 2009 and amended on January 29, 2014 sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within mainland China.

The EIT Law provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are "non-resident enterprises," and gains derived by such investors, which (a) do not have an establishment or place of business in mainland China or (b) have an establishment or place of business in mainland China, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources

within mainland China. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our foreign shareholders reside. Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Tax on Income (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) (the "**Double Tax Avoidance Arrangement**"), and other applicable mainland Chinese laws, if a Hong Kong resident enterprise is determined by the competent tax authority in mainland China to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a mainland China resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (關於執行税收協定股息條款有關問題的通知) (the "**Notice No. 81**") issued on February 20, 2009 by the SAT, if the relevant Chinese tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such Chinese tax authorities may adjust the preferential tax treatment; and based on the Notice on the Interpretation and Recognition of Beneficial Owners in 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 was issued on October 27, 2009 by the SAT, and the Announcement on the Recognition of Beneficial Owners in Tax Treaties (關於認定税收協定中"受益所有人"的公告), which was issued on June 29, 2012 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus will not be entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

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), effected on January 1, 2008 and amended on January 29, 2016, the certificate of a high and new technology enterprise is valid for three years.

Value-added Tax and Business Tax

The Provisional Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值税暫行條例) were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994 which were subsequently amended on November 5, 2008 and came into effect on January 1, 2009 and subsequently amended on February 6, 2016 and November 19, 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value-added Tax (Revised in 2011) (中華人民共和國增值税暫行條例實施細則(2011年修訂)) were promulgated by the Ministry of Finance and the SAT on December 18, 2008 which were subsequently amended on October 28, 2011 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 mainland China must pay value-added tax. For general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Law, the value-added tax rate is 17%. On April 4, 2018, the Ministry of Finance and the SAT promulgated the Notice on Adjusting Value-added Tax Rates (關於調整增增值税税率的通知), which reduced the tax rates for sale, import, and export of goods, as well as the deduction rate for taxpayer's purchase of agricultural products.

On March 23, 2016, the Ministry of Finance and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (關於全面推開營業税改徵增值税試點的通

知) (the "**Circular 36**") which confirms that business tax would be completely replaced by VAT from May 1, 2016.

Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for the Exemption of Value-added Tax on Cross-border Taxable Activities under the Collection of Value-added Tax in Lieu of Business Tax (for Trial Implementation) (國家税務總局關於發布<營業税改征增值税跨境應税行為增值税免税管理辦法(試行)>的公告), which was promulgated on May 6, 2016 by the SAT, provides that if a domestic enterprise provides cross-border taxable services such as technology transfer, technical consulting, software service etc., the above mentioned cross-border taxable services shall be exempt from the value-added tax.

Dividend Withholding Tax

The EIT Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to foreign resident investors who do not have an establishment or place of business in mainland China, or which 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 mainland China.

Pursuant to the Double Tax Avoidance Arrangement, and other applicable Chinese laws, if a Hong Kong resident enterprise is determined by the competent mainland China tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a mainland China resident enterprise may be reduced to 5%. However, based on the Notice No. 81, if the relevant mainland China tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such mainland China tax authorities may adjust the preferential tax treatment; and based on the Notice on How to Interpret and Recognize the "Beneficial Owner" in Tax Treaties (關於如何理解和認定税收協定中"受益所有人"的通知), issued on October 27, 2009 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

HONG KONG LAWS AND REGULATIONS RELATING TO OUR BUSINESS

Telecommunications Ordinance

We import and sell our smartphones and other consumer electronics with radiocommunication functions in Hong Kong, which is regulated by the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) (the "**TO**"). Under the TO, a radio dealers license (unrestricted) is required for dealing in the course of trade or business (i) in apparatus or material for radiocommunications or in any component part of any such apparatus, or (ii) in apparatus of any kind that generates and emits radio waves, whether or not the apparatus is intended, or capable of being used, for radiocommunications. A radio dealers license (unrestricted) is also required for the import into Hong Kong or export therefrom any radiocommunications transmitting apparatus unless otherwise permitted by the Communication Authority. Under the Telecommunications (Telecommunications Apparatus) (exemption from Licensing) Order (Chapter 106Z of the Laws of Hong Kong), a radio dealers license (unrestricted) is not required for importing or exporting telecommunications apparatus meeting presecribed specifications.

A person without the required license is liable, on summary conviction, for a fine of HK$50,000 and imprisonment for two years. A radio dealers license (unrestricted) is generally valid for 12 months, and is renewable on payment of a prescribed fee. Our wholly-owned subsidiary, Xiaomi H.K. Limited, currently has a radio dealers license (unrestricted) issued on January 4, 2013.

Sale of Goods Ordinance

Contracts for the sale of goods are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (the "**SGO**"). The SGO provides that there are implied obligations owed by the seller towards the buyer, including: (i) where the goods are sold in the course of business and the buyer, expressly or by implication, makes known to the seller any particular purpose for which the goods are being bought, the goods supplied shall be reasonably fit for the purposes made known; (ii) goods must correspond to any description provided; and (iii) the goods meet the standard that a reasonable person would regard as satisfactory.

Consumer Goods Safety Ordinance

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) (the "**CGSO**") imposes a duty on manufacturers to ensure that the consumer goods they supply are reasonably safe. Under the CGSO, all products manufactured for consumption in Hong Kong must satisfy the general safety requirements. Criminal sanctions are imposed for violations of CGSO unless a due diligence defense can be successfully established. Any person who commits an offence shall be liable, on first conviction for a fine of HK$100,000 and imprisonment for one year, and on subsequent conviction for a fine of HK$500,000 and two years of imprisonment. A continuing offense will result in an additional fine of HK$1,000 per day during the relevant period. The Commissioner of Customs and Excise has the power to serve a recall requiring the immediate withdrawal of a mobile phone or consumer electronic product which is believed to be of significant risk and may cause a serious injury.

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the "**TDO**") regulates trade descriptions and statements made in respect of mobile phones and consumer electronic products offered in the course of trade. The TDO provides that no person shall, in the course of trade or business, apply a false trade description or trade mark to any good. Further, selling, importing or exporting a good with a false description or trade mark is prohibited. When dealing with a consumer, a trader must not engage in conduct that: (i) is a misleading omission; (ii) is aggressive; (iii) constitutes bait advertising; (iv) constitutes a bait and switch; or (v) constitutes wrongly accepting payment. A person who commits an offence under the TDO faces a potential fine of up to HK$500,000 and imprisonment for five years.

The Inland Revenue Ordinance

Secion 20(2) of the Inland Revenue Ordinance (Chapte 112 of the Laws of Hong Kong) (the "**IRO**") provides that where a resident person conducts transactions with a "closely connected" non-resident person in such a way that if the profits arising from Hong Kong are less than the ordinary profits that might be expected to arise, the business performed by the non-resident person in pursuance of his or he connection with the resident person shall be deemed to be carried on in Hong Kong, and the non-residence person shall be assessable and chargeable with tax in respect of his or her profits from such business in the name of the resident person. Section 2-A of the IRO gives the Inland Revenue Department (the "**IRD**") wide powers to collect tax due from non-residents.

The IRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO.

INDIA LAWS AND REGUALTIONS RELATING TO OUR BUSINESS

Industry Specific Laws

*Electronics and Information Technology Goods (Requirements for Compulsory Registration) Order, 2012, as amended (the "**Compulsory Registration Order**")*

Under the Compulsory Registration Order, no person is permitted to, manufacture or store for sale, import, sell or distribute goods (as defined in the Compulsory Registration Order) which do not (i) conform to the Indian Standards ("**IS**") specified under the Compulsory Registration Order, and (ii) bear the "standard mark" as notified from time to time by the Bureau of Indian Standards, Ministry of Consumer Affairs, Food and Public Distribution, Government of India ("**BIS**") after obtaining a unique registration number from the BIS. The manufacturer is eligible to apply and obtain the unique registration number from the BIS. The Compulsory Registration Order also states that sub-standard or defective goods that do not conform to the relevant IS are required to be deformed beyond use by the manufacturer and disposed of as scrap. To ensure compliance with the Compulsory Registration Order, the relevant authority is authorized to call for information and samples, inspect books or any other documents or goods and enter and search any premises and seize goods that are found to be in contravention of the Compulsory Registration Order.

In relation to the "Xiaomi" goods covered by the Compulsory Registration Order and sold in India, the obligation to obtain the unique registration number from the BIS is that of the manufacturer of such goods.

*International Mobile Equipment Identity ("**IMEI**") and Specific Absorption Rate ("**SAR**")*

GSM mobile handset manufacturers or brand owners are required to obtain an International Mobile Equipment Identity (IMEI) number for their mobile equipment model and for such purpose, they are required to register with the GSM Association (GSMA). A registered manufacturer or brand owner that intends to import GSM mobile handsets into India is required to apply to the GSMA to obtain an IMEI certificate in relation to the mobile handset IMEI lot to be imported into India. Any import into India of GSM mobile handsets without IMEI number or CDMA mobile handsets without electronic serial number or mobile equipment identifier is prohibited. The IMEI certificate is required to be submitted by the brand owner or the importer of the mobile devices to the customs authorities in India, along with other import documents and the certificate is then verified by the customs authorities to ensure that, *inter alia*, the IMEI numbers are genuine, the importer details are provided and the IMEI belong to the same make and model that is being imported. The customs authorities may also conduct random inspections of the consignment to verify the IMEI numbers with the list submitted by the importer. As neither of the Indian Subsidiaries manufactures mobile devices nor is the brand owner of the mobile devices it deals in, it is not required to register with the GSMA.

Further, only mobile handsets that comply with the Specific Absorption Rate (SAR) value prescribed by the Department of Telecommunications, Ministry of Communications, Government of India ("**DoT**") are permitted to be manufactured or imported into the domestic market in India, subject to certain terms and conditions, including that the SAR value must be displayed on the mobile handsets

and made available to the consumer at the point of sale, and manufacturers of mobile handsets (including for mobile handsets that are imported into India) are required to provide a self-declaration to the Telecom Engineering Center in India, with a copy to the DoT, in relation to the SAR value based on a certification from internationally accredited labs or labs accredited by the Telecom Engineering Center in India.

Licenses by the Wireless Planning and Coordination Wing of the DoT

Under the Indian Wireless Telegraphy Act, 1933, as amended, no person is entitled to possess wireless telegraphy apparatus, i.e., apparatus, appliance, instrument or material used or capable of use in wireless communication, without obtaining a valid license from the authority constituted under the Indian Telegraph Act, 1885, as amended. The Wireless Planning and Coordination Wing of the DoT (the "**WPC Wing**") grants licenses and approvals for operating wireless equipment, including equipment type approval to establish, maintain, work, possess or deal in wireless equipment in certain frequency bands on a non-interference non-protection and shared (non-exclusive) basis and licenses to import wireless transmitting and/or transreceiving apparatus into India.

*Energy Conservation Act, 2001, as amended (the "**Energy Conservation Act**") and the Bureau of Energy Efficiency (Particulars and Manner of their Display on Labels of Color Televisions) Regulations, 2016 (the "**BEE Regulations**")*

Pursuant to the authority conferred under the Energy Conservation Act, the Bureau of Energy Efficiency, Ministry of Power, Government of India ("**BEE**") has issued the BEE Regulations to regulate the particulars that are required to be displayed on the labels for color televisions and the manner of affixing such labels. Manufacturers and importers of color televisions are required to apply to the BEE for permission to affix a label on such color televisions, which contain the specified particulars, including the star level of the appliance, i.e., the grade of energy efficiency based on the energy consumption standard notified by the Central Government to denote the annual energy performance of color televisions. Such permission is valid for a specified period of time and is subject to certain other conditions, including requirement to furnish quarterly reports containing details of production of labeled equipment and accrued labeling fee. The Energy Conservation Act imposes a penalty of up to ₹1,000,000 for failure to comply with directions in relation to display of labels and, in the event of a continuing failure, an additional penalty of up to ₹10,000 may be imposed for each day during which such failure continues.

"Other Service Provider" Registration

Any company providing services, such as tele-banking, tele-trading, e-commerce and call centers by using telecom facilities provided by authorized telecom service providers is required to obtain a registration from the DoT as an "other service provider" ("**OSP**") and comply with the terms and conditions issued by the DoT from time to time. The registration is location specific. An applicant may apply for a domestic OSP registration to provide services within India and/or an international OSP registration to provide services outside India. An OSP registration is valid for a period of 20 years from the date of issuance, unless otherwise provided in the registration, and may be renewed for a period of 10 years at a time. The DoT is entitled to conduct inquiries, either *suo moto* or pursuant to a complaint, to determine whether there has been a breach of any of the terms and conditions of the OSP registration and the DoT may cancel the OSP registration in case of such breach.

Foreign Investment Regulations

Under the consolidated FDI Policy (effective from August 28, 2017), as amended, issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India ("**FDI Policy**") and the provisions of the Foreign Exchange Management Act, 1999 along with the rules, regulations and notifications made by the Reserve Bank of India thereunder, each as amended ("**FEMA**"), 100% foreign investment through the automatic route, i.e., without requiring prior governmental approval, is permitted in companies engaged in wholesale trading, subject to compliance with certain prescribed guidelines and reporting requirements. Further, subject to certain conditions, 100% foreign investment is permitted in companies engaged in business to business e-commerce and single brand product retail trading. OSPs are also allowed 100% foreign investment under the automatic route. Any contravention of the FEMA may result in a penalty of up to three times the sum involved in such contravention where such amount is quantifiable or up to ₹200,000 where the amount is not quantifiable. Where the contravention is a continuing one, a further penalty of up to ₹5,000 for each day may be levied for the period during which the contravention continues.

Importer-Exporter Code (IEC)

The Foreign Trade (Development and Regulation) Act, 1992, as amended (the "**Foreign Trade Act**") provides for the development and regulation of foreign trade. No person is permitted to make any import or export except under an IEC number granted by the Office of the Joint Director General of Foreign Trade, Ministry of Commerce and Industry, Government of India. Under the Foreign Trade Act, a contravention of any law relating to central excise, customs, foreign exchange or commission of any other economic offense under any other laws notified by the Government of India is ground for suspension or cancelation of the IEC number. The Government of India may also, after conducting an enquiry, impose quantitative restrictions on the import of goods if it is satisfied that such goods are being imported into India in such increased quantities and under such conditions as to cause or threaten to cause serious injury to domestic industry.

Intellectual Property Laws

*The Trade Marks Act, 1999, as amended (the "**Trade Marks Act**")*

The Trade Marks Act governs the statutory protection of trade marks and provides for the prevention of the use of fraudulent marks in India. The registration of a trade mark, if valid, gives to the registered proprietor of the trade mark the exclusive rights to the use of the trade mark in relation to the goods or services in respect of which the trade mark is registered and to provide relief in case of infringement of such trade mark. Once granted, trade mark registration is valid for ten years, unless canceled. Application for the registration of trade marks has to be made to the Controller-General of Patents, Designs and Trade Marks who is the Registrar of Trade Marks for the purposes of the Trade Marks Act. The Trade Marks Act provides for penalties for infringement and for falsifying and falsely applying trade marks and using them to cause confusion among the public.

*Copyright Act, 1957, as amended (the "**Copyright Act**")*

The Copyright Act governs copyright protection in India and provides for, *inter alia*, registration, assignment and licensing of copyrights. Under the Copyright Act, subject to certain exceptions, a copyright shall subsist in original literary, dramatic, musical or artistic works, cinematograph films, and sound recordings. While copyright registration is not mandatory under the

Copyright Act for acquiring or enforcing a copyright, such registration creates a presumption favoring ownership of the copyright by the registered owner. Copyright protection lasts for 60 years from the beginning of the calendar year following the year of the death of the author or the publication of the work, as the case may be. In the event of infringement of a copyright, the owner of the copyright is entitled to both civil remedies, including damages, accounts and injunction and delivery of infringing copies to the copyright owner, and criminal remedies, including imprisonment and imposition of fines and seizure of infringing copies.

*The Patents Act, 1970, as amended (the "**Patents Act**")*

The Patents Act governs the patent regime in India. Under the Patents Act, both a product and a process involving an inventive step and being capable of industrial application are eligible to be patented. Patents obtained in India are valid for a period of 20 years from the date of filing the patent application. Import of patented products from a person who is duly authorized under the law to produce and sell or distribute the product will not be considered infringement. A patent may be revoked pursuant to a petition by any person interested on certain grounds, including that the invention so far as claimed in any claim of the complete specification is obvious or does not involve any inventive step, taking into consideration what was publicly known or publicly used in India or published in India or elsewhere before the priority date of the claim.

Environmental Legislations

The Environment Protection Act, 1986, as amended (the "**EPA**"), has been enacted with the objective of protection and improvement of the environment. Under the EPA, the Central Government has been given the power to take all such measures as may be required for the purpose of protecting and improving the quality of the environment and preventing environmental pollution, including framing of rules to regulate such matters. In the event of contravention by any person of the provisions of the EPA or the rules framed thereunder, such person may be punishable with imprisonment up to five years and/or fine up to ₹100,000, and additional fine up to ₹5,000 for each day during which such contravention continues. If a contravention continues for more than one year, the offender will be punishable with imprisonment up to seven years.

*E-Waste (Management) Rules, 2016, as amended (the "**E-Waste Rules**")*

The E-Waste Rules regulate all manufacturers, producers, consumers, bulk consumers, collection centers, dealers, e-retailers, refurbishers, dismantlers and recyclers involved in the manufacture, sale, transfer, purchase, collection, storage and processing of e-waste or electrical and electronic equipment covered under the E-Waste Rules, including their components, consumables, parts and spares. Under the E-waste Rules, any producer (including any person who offers to sell under its own brand any assembled electrical and electronic equipment and their components, consumables, parts or spares produced by other manufacturers or suppliers, or any person who offers to sell imported electrical and electronic equipment and their components, consumables, parts or spares) of certain electrical and electronic equipment is required to make an application for an Extended Producer Responsibility Authorization ("**EPR Authorization**") setting out their plans for channelisation of e-waste to ensure environmentally sound management of such waste. A manufacturer, producer, importer, transporter, refurbisher, dismantler and recycler will be liable for all damages caused to the environment or to a third party due to improper handling and management of e-waste and may also be required to pay financial penalties for violation of the E-Waste Rules as imposed by the relevant state pollution control board with the prior approval of the Central Pollution Control Board.

Competition Act

The Competition Act, 2002, as amended (the "**Competition Act**"), regulates practices that could have an appreciable adverse effect on competition in India. Under the Competition Act, any arrangement, understanding or action in concert, whether formal or informal, in relation to production, supply, distribution, storage, acquisition or control of goods or provision of services which causes or is likely to cause an appreciable adverse effect on competition in India is void. Any agreement among competitors which directly or indirectly determines purchase or sale prices, limits or controls production, supply, markets, technical development, investment or provision of services, creates market sharing by way of geographical area, type of goods or services or number of customers in the market or involves bid rigging is presumed to have an appreciable adverse effect on competition in India and is void. Any agreement among persons at different stages of the production chain in different markets, including tie-in arrangements, exclusive supply and distribution agreements, and agreements which result in refusal to deal or resale price maintenance, may be void if such agreements cause an appreciable adverse effect on competition in India.

The Competition Act also prohibits abuse by enterprises of their dominant position. Parties that contravene the provisions of the Competition Act may be directed by the Competition Commission of India to discontinue their anti-competitive agreements or abuse of dominant position, as the case may be, and may also be subject to penalties. Further, the Competition Commission of India has been granted extraterritorial powers and can investigate any agreements or abusive conduct occurring outside India if such agreement or conduct has an appreciable adverse effect on competition in India.

Acquisitions, mergers and amalgamations which exceed certain revenue and asset thresholds require prior approval by the Competition Commission of India. Any such acquisitions, mergers or amalgamations which cause or are likely to cause an appreciable adverse effect on competition in India are prohibited and void.

Consumer Protection

The Consumer Protection Act, 1986, as amended (the "**COPRA**"), provides for the protection of the interests of consumers and the settlement of consumer disputes. The COPRA sets out a mechanism for consumers to file complaints against traders or service providers in cases of defects in goods, deficiencies in services, unfair or restrictive trade practices and excessive pricing. The terms "defect" and "deficiency" are broadly defined and cover any kind of fault, imperfection or shortcoming in the quality, quantity, potency, purity or standard. A three-tier consumer grievance redressal mechanism has been implemented pursuant to the COPRA at the national, state and district levels. If the goods are found to be defective, the trader can be directed to *inter alia* remove the defect from the goods in question, replace the goods with new goods that are free from any defect, return to the complainant the charges paid by the complainant and pay compensation, including punitive damages, for any loss or injury suffered by the consumer due to negligence of such trader. Non-compliance with the orders of these authorities may attract criminal penalties in the form of fines of up to ₹10,000 and/or imprisonment which may extend to three years.

Enforcement of Civil Liabilities

The Code of Civil Procedure, 1908, as amended (the "**CPC**"), provides for the recognition and enforcement of foreign judgments on a statutory basis.

The CPC provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon, except (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

Under the CPC, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record. However, under the CPC, such a presumption may be displaced by proving that the court did not have jurisdiction.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. The CPC provides that where a foreign judgment has been rendered by a superior court, within the meaning of that section, in any country or territory outside India which the Government of India has formally declared to be in a reciprocating territory, it may be enforced in India as if the judgment had been rendered by the relevant court in India. However, this is applicable only to monetary decrees or judgments which are not of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties and does not apply to arbitration awards.

Hong Kong, United Kingdom and Northern Ireland, among other jurisdictions, have been declared by the Government of India to be reciprocating territories for the purposes of the CPC, but the United States has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy or Indian practice. Further, any judgment or award in a foreign currency would be converted into Indian Rupees on the date of such judgment or award and not on the date of payment which could also increase risks relating to foreign exchange. A party seeking to enforce a foreign judgment in India is required to obtain approval from the Reserve Bank of India to remit outside India any amount recovered. Any such amount may be subject to income tax in accordance with applicable laws.