REGULATIONS

We are a leading independent online consumer finance service provider in China. We offer consumer finance products by facilitating transactions between borrowers and traditional financial institutions, and, to a lesser extent, we also lend directly to borrowers primarily through our online small loan companies. We have established two small loan companies in Chengdu and Shanghai that are permitted to conduct online and offline small loan business, and one small loan company in Qingdao for offline loans granted under the direct lending structure. Furthermore, we have a financing guarantee company in Hangzhou that provides financing guarantee services related to the loans funded by the financial institutions under credit-enhanced loan facilitation structure. This section sets forth a summary of the most significant rules and regulations that affect our business and the industry in which we operate.

Regulations Relating to Loans and the Interest Rate

The PRC Contract Law (《中華人民共和國合同法》), which became effective in October 1999, or the Contract Law, governs the formation, validity, performance, enforcement and assignment of contracts. The Contract Law requires that the interest rates charged under a loan agreement must not violate the applicable provisions of the PRC laws and regulations. In accordance with the Provisions on Certain Issues of the Application of Laws in the Trial of Private Lending Cases issued by the PRC Supreme People's Court (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) in August 2015 and effective since September 2015, or the Private Lending Judicial Interpretations, private lending is defined as financing between individuals, legal entities and other organizations.

The Private Lending Judicial Interpretations provide that agreements between a lender and a borrower for loans with interest rates below 24% per annum are valid and enforceable. With respect to loans with interest rates between 24% per annum and 36% per annum, if the interest on the loans has already been paid to the lender, and so long as such payment does not conflict with the interests of the state, the community or any third parties, the court will likely dismiss the borrower's request to demand the return of the interest payment above 24% per annum. If the interest rate of a loan is higher than 36% per annum, the agreement on that portion of the interest exceeding the maximum interest rate is invalid, and if the borrower requests the lender to return that portion of interest exceeding 36% per annum that has been paid, the court will support such requests. The Certain Opinions Regarding Further Strengthening the Financial Judgment Work (《關於進一步加強金融審判工作的若干意見》) issued by the PRC Supreme People's Court in August 2017 further emphasize that if the total amount of interest, compounded interest, default interest and other fees charged by a lender under a loan contract substantially exceeds the actual loss of such lender, then the request by the debtor under such loan contract to reduce or to adjust the part of the aforementioned fees exceeding the amount accrued at an annual rate of 24% will be upheld.

Regulations Relating to Online Lending

On July 18, 2015, ten PRC regulatory authorities, including the PBOC, the MIIT and the CBRC, jointly issued the Guidelines on Promoting the Healthy Development of the Internet Finance (《關於促進互聯網金融健康發展的指導意見》), or the Internet Finance Guidelines. The Internet Finance Guidelines define the provision of online small loans as online lending business, which is under the supervision of the CBRC, and governed by the relevant regulations on small loan companies.

On April 12, 2016, the General Office of the PRC State Council issued the Implementing Proposal for the Special Rectification of Internet Financial Risk (《互聯網金融風險專項整治工作實施方案》), which emphasizes the legitimacy and compliance of the Internet finance business, and specifies the rectification measures regarding the internet finance business and the institutions engaged in the internet finance business.

In April 2017, the P2P Online Lending Working Group issued the Notice on the Implementation of Check and Rectification of Cash Loan Business Activities (《關於開展"現金貸"業務活動清理整頓工作的通知》) and a supplementary notice, or the Notices on Cash Loans. The Notices on Cash Loans require that the local branches of the P2P Online Lending Working Group conduct a comprehensive review and inspection of the cash loan business on online lending platforms and require such platforms to take necessary improvement and remediation measures within a specific period of time to comply with the relevant requirements under the applicable PRC laws and regulations. The Notices on Cash Loans aim to eliminating the non-compliance in the operations of online lending platforms, including fraudulent activities, loans with excessive interest rates, and forced loan collection practices.

On December 1, 2017, the Online Finance Working Group and the P2P Online Lending Working Group jointly issued the Notice on Regulation and Rectification of "Cash Loan" Business (《關於規範整頓"現金貸"業務的通知》), or Circular 141, which sets out the principles and general requirements for the conduct of "cash loan" business by online small loan companies, P2P platforms and banking financial institutions (for the purpose of Circular 141, including banks, trust companies and consumer financial companies). Circular 141 focuses on regulating the "cash loans" with certain features, such as lack of (i) specific user cases (which, as we understand the term, refers to scenarios in which a user interacts with a product or service for a specific motivation), (ii) specified uses of loan proceeds, (iii) selected customer base, or (iv) collateral. Circular 141 sets forth several general principles with respect to the regulation of "cash loan" business, including: (i) no organization or individual may conduct the "cash loan" lending business without obtaining relevant approval; (ii) the total borrowing cost of borrowers charged by institutions in the form of interest and various fees should be annualized and subject to the limit on interest rate of private lending provided by the judicial department; (iii) institutions engaged in cash, among others, loan business must follow the "know-your-customer" process and prudentially assess and determine the borrower's suitability, credit limit and cooling-off period, etc.; (iv) all institutions engaged in cash, among others, loan business must enhance their internal risk control and prudentially use the "data-driven" risk management models. Moreover, Circular 141 also sets forth certain specific requirements related to online small loan companies engaged in the cash loan business, please refer to "—Regulations Relating to Small Loan Companies."

In addition, Circular 141 also imposes several requirements on financial institutions engaged in the "cash loan" business, including, among other things: (i) such financial institutions must not extend loans jointly with any entities that have not obtained the approval for the lending business, or provide funding to such entities for them to extend loans; (ii) with respect to the loan business conducted in cooperation with third-party entities, such financial institutions must not outsource their core business function (including the credit assessment and risk control), and must not accept any credit enhancement services, whether or not in a disguised form (including the commitment to taking default risks), provided by any third-party entities that lack the qualification to provide guarantee services; and (iii) such financial institutions must require and ensure that such third-party entities do not charge any interests or fees from the borrowers.

Any violation of Circular 141 may result in penalties, including but not limited to suspensions of operation, orders to make rectification, condemnation, revocations of license, orders to cease business operation, and criminal liabilities.

Regulations Relating to Small Loan Companies

Under the Guiding Opinions of the CBRC and the PBOC on the Pilot Operation of Small loan Companies (中國銀行業監督管理委員會中國人民銀行關於小額貸款公司試點的指導意見) which was promulgated by the CBRC and the PBOC on May 4, 2008, or the Guiding Opinions on Small Loan Companies, a small loan company is a company that is specialized in operating a small loan business with investments from natural persons, legal entities or other social organizations, and which does not accept public deposits. The establishment of a small loan company is subject to the approval of the competent government authority at the provincial level. The major sources of funds for a small loan company are limited to be capital paid by shareholders, donated capital and capital borrowed from up to two financial institutions. Furthermore, the balance of the capital borrowed by a small loan company from financial institutions must not exceed 50% of the net capital of such small loan company, and the interest rate and term of the borrowed capital is required to be determined by the company with the banking financial institutions upon consultation, and the interest rate on the borrowed capital must be determined by using the Shanghai Inter-bank Offered Rate as the base rate. With respect to the grant of credit, small loan companies are required to adhere to the principle of "small sum and decentralization." The outstanding balance of the loans granted by a small loan company to one borrower cannot exceed 5% of the net capital of such company. The interest ceiling used by a small loan company may be determined by such companies but in no circumstance shall they exceed the restrictions prescribed by the judicatory authority, and the interest floor is 0.9 times the base interest rate published by the PBOC. Small loan companies have the flexibility to determine the specific interest rate within the range depending on market conditions. In addition, according to the Guiding Opinions on Small Loan Companies, small loan companies are required to establish and improve their corporate governance structures, the loan management systems, the financial accounting systems, the asset classification systems, the provision systems for accurate asset classification and their information disclosure systems, and such companies are required to make adequate provision for impairment losses and are required to accept public scrutiny supervision and are prohibited from carrying out illegal fund-raising in any form.

The General Office of Shanghai Government promulgated the Regulation on Small Loan Companies in Shanghai (《上海市小額貸款公司監管辦法》) on September 23, 2016, which specifies the qualification requirements, the operational requirements, the application and approval procedures and other rules governing small loan companies in Shanghai. On December 16, 2016, Shanghai Finance Service Office issued the Guidelines on the Specific Regulation on the Online Small Loan Business of Shanghai Small Loan Companies (in Trial) (《上海市小額貸款公司互聯網小額貸款業務專項監管指引(試行)》) which stipulates, among others, small loan companies conducting online small loan business must obtain prior approval from competent government authority, establish comprehensive corporate governance structure, enhance risk management system and information disclosure system. These guidelines also stipulate that small loan companies operating online small loan business must not operate offline small loan business outside of Shanghai.

On November 28, 2008, the General Office of Sichuan Province promulgated the Notice on Expanding the Pilot Operation of Small Loan Companies (《四川省人民政府辦公廳關於擴大小額貸款公司試點工作的通知》) to expand the pilot operation of small loan companies in Sichuan, and issued

the Interim Rules on the Regulation of Small Loan Companies in Sichuan (《四川省小額貸款公司管理暫行辦法》), which set out rules and requirements on the establishment, compliance, supervision and risk prevention of small loan companies in Sichuan. Furthermore, in March 2009, Chengdu municipal government promulgated the Pilot Operation Proposals regarding Small Loan Companies in Chengdu (《成都市小額貸款公司試點工作方案》) to regulate the pilot operation of small loan companies in Chengdu and further specify other detailed rules and requirements, among which it is a requirement that the outstanding balance of loans granted by a small loan company to one borrower must not exceed RMB200,000, otherwise the small loan company must report to the competent government authorities.

In September 2008, the Shandong Finance Work Office promulgated the Pilot Interim Rules on the Administration of Small Loan Companies in Shandong (《山東省小額貸款公司試點暫行管理辦法》), which specify the regulations on small loan companies in Shandong, including the establishment and the shareholders of small loan companies, and the operation, compliance regulation and risk prevention of small loan companies in Shandong. On October 21, 2008, the General Office of Qingdao Municipal Government issued the Notice on the Implementation of the Pilot Operation of Small Loan Companies (《青島市人民政府辦公廳關於開展小額貸款公司試點工作的通知》), which enhances the regulation and administration of small loan companies, and determines the districts and cities to implement the pilot operations. Furthermore, in September 2009, the General Office of Shandong Province issued the Interim Rules on the Regulation and Administration of Small Loan Companies in Shandong (《山東省小額貸款公司監督管理暫行辦法》) on September 7, 2009, pursuant to which the General Office of Shandong Province details the rules and regulations on small loan companies, among others: (i) the Finance Office in Provincial level and municipal level are the competent authorities of small loan companies, and are responsible for the regulations of small loan companies; (ii) the relevant authorities must enhance the regulation system on small loan companies; and (iii) small loan companies must establish a comprehensive risk control and prevention system. On September 7, 2016, the Local Finance Supervision and Administration Office of Shandong Province issued the Notice on Issuing the Measures for Small Loan Companies (Pilot) in Shandong (《山東省地方金融監督管理局關於印發<山東省小額貸款公司（試點）管理辦法>的通知》), which provides the requirements of establishment, operation, compliance and regulation of small loan companies in Shandong.

In November 2017, the Online Finance Working Group issued the Notice on the Immediate Suspension of Approvals for the Establishment of Online Small Loan Companies (《關於立即暫停批設網絡小額貸款公司的通知》), which requires all relevant regulatory authorities of small loan companies to suspend the approval of the establishment of any online small loan companies and the approval of any small loan business conducted across provinces. On December 1, 2017, the Online Finance Working Group and the P2P Online Lending Working Group also jointly issued Circular 141 to reinstate the suspension of approving new online small loan companies and enhance the regulation of online small loan companies, which stipulates that (i) the relevant regulatory authorities must suspend the approval for the establishment of any new online small loan companies and the conduct of offline business of any small loan companies across provinces (districts or cities); (ii) online small loan companies must not extend loans to any borrowers without income, such as students; (iii) online small loan companies must suspend the funding of online small loans with no user cases or specified uses of loan proceeds, and gradually reduce the volume of the existing business relating to such loans and take rectification measures in a period to be specified by authorities.

On December 8, 2017, the P2P Online Lending Working Group promulgated the Notice on Implementation Plan for Specific Rectification for Risks in Small Loan Companies Conducting the

Online Small Loan Business (《小額貸款公司網絡小額貸款業務風險專項整治實施方案的通知》), or the Rectification Implementation Plans of Online Small Loan Companies. Pursuant to the Rectification Implementation Plans of Online Small Loan Companies, "online small loans" are defined as small loans provided through the internet by online small loan companies. Online small loans businesses typically acquires borrowers online, conduct credit assessment based on the online information collected from the specific online scenario, such as customer operation and internet consumption, and process the loan applications, approvals and funding procedures online. Consistent with the Guidance on the Pilot Establishment of Small Loan Companies and Circular 141, the Rectification Implementation Plans of Online Small Loan Companies emphasizes several material aspects for inspection and rectification, which include, (i) the online small loan companies must be approved by the competent authorities in accordance with the applicable regulations promulgated by the State Council, and approved online small loan companies that act in violation of any regulatory requirements must be re-examined; (ii) whether the qualification and funding source of the shareholders of online small loan companies are in compliance with the applicable laws and regulations; (iii) whether the "integrated actual interest" (namely the total borrowing cost charged to borrowers in the form of interest and various fees) are annualized and subject to the limit on interest rates of private lending set forth in the Private Lending Judicial Interpretations and, whether any interest, handling fee, management fee or deposit are deducted from the principal of loans provided to the borrowers in advance; (iv) whether campus loans, or online small loans with no specific scenario or designated use of loan proceeds are granted; (v) with respect to the loan business conducted in cooperation with third-party institutions, whether small loan companies cooperate with internet platform without website filing or telecommunications business license to lend online small loan, whether the online small loan companies outsource their core business (including the credit assessment and risk control), or accept any credit enhancement service provided by any third-party institutions with no guarantee qualification; or whether any applicable third-party institution collects any interest or fee from the borrowers; and (vi) whether there are any entities conducting online small loan business without relevant approval or license for lending business. The Rectification Implementation Plans of Online Small Loan Companies also set forth that the local branches of the P2P Online Lending Working Group must complete the inspection and investigation of all related institutions before the end of January 2018. Depending on the results, different measures will be taken before the end of March 2018: (i) for institutions that have obtained online small loan licenses but were found not to meet the qualification requirements to conduct online small loan business, their online small loan licenses must be revoked and such institutions will be prohibited from conducting small loan business outside the administrative jurisdiction of their respective approving authorities; and (ii) for institutions that have obtained online small loan licenses and were found to meet the qualification requirements to conduct online small loan business, if they were found not to be in compliance with other requirements, such as the requirements on the integrated actual interest rate, the scope of loan and cooperation with third-party institutions, such institutions must take rectification measures in a period separately specified by the authorities, and in the event that the rectification does not meet the authorities' requirements, such institutions will be subject to various sanctions, including revocation of license and orders to cease business operation.

Regulations Relating to Financing Guarantee

In March 2010, CBRC, the National Development and Reform Commission, or NDRC, MIIT, MOFCOM, PBOC, the State Administration for Industry and Commerce, or SAIC, and the Ministry of Finance of China, or MOF, promulgated the Interim Administrative Measures for Financing Guarantee Companies (《融資性擔保公司管理暫行辦法》). The Interim Administrative Measures for Financing

Guarantee Companies define "financing guarantee" as an activity whereby the guarantor and the creditor, such as a banking financial institution, agree that the guarantor must bear the guarantee obligations in the event that the guaranteed party fails to repay its financing debt owed to the creditor, and require an entity or individual to obtain a prior approval from the relevant government authority to engage in the financing guarantee business.

In January 2011, the Interim Regulations on the Administration of Financing Guarantee Companies in Zhejiang (《浙江省融資性擔保公司管理試行辦法》) were issued by the Zhejiang government, which enhance and strengthen the regulation and administration of financing guarantee companies in Zhejiang.

In August 2017, the PRC State Council promulgated the Regulations on the Supervision and Administration of Financing Guarantee Companies (《融資擔保公司監督管理條例》), or Financing Guarantee Regulations, which became effective on October 1, 2017. The Financing Guarantee Regulations set out the approval requirements for the establishment of a financing guarantee company or engagement in the financing guarantee business. The Financing Guarantee Regulations also state that the outstanding guarantee liabilities of a financing guarantee company must not exceed ten times its net assets. Moreover, the outstanding guarantee liabilities of a financing guarantee company in respect of the same guaranteed party must not exceed 10% of the net assets of such financing guarantee company, and the outstanding guarantee liabilities of a financing guarantee company in respect of the same guaranteed party together with its affiliated parties must not exceed 15% of its net assets.

In April 2018, CBRC promulgated the Notice Regarding Issuance of Four Supporting Measures of the Regulations on the Supervision and Administration of Financing Guarantee Companies (《關於印發<融資擔保公司監督管理條例>四項配套制度的通知》). These measures set forth detailed implementation rules under the regulatory framework of Financing Guarantee Regulations, including the administration of the financing guarantee license, the calculation method for outstanding guarantee liabilities, the asset ratio requirements for financing guarantee companies, and the guidance for the cooperation between commercial banks and financing guarantee companies. These measures also stipulated that "Internet lending" is one of the debt financing activities for which the financing guarantee companies could provide guarantee services.

Regulations Relating to Internet Information Security and Privacy Protection

PRC government authorities have enacted laws and regulations with respect to Internet information security and the protection of personal information from any abuse or unauthorized disclosure. Internet information in China is regulated and restricted from a national security standpoint. The Standing Committee of the National People's Congress, or SCNPC, enacted the Decisions on Maintaining Internet Security (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) in December 2000, as further amended in August 2009, which impose criminal liabilities on persons or entities that: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The Ministry of Public Security has promulgated measures that prohibit the use of the Internet in ways that would result in the leakage of state secrets or dissemination of socially destabilizing content. If an Internet information service provider violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

Under the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》) issued by the MIIT in December 2011, an Internet information service provider may not collect any user's personal information or provide any such information to third parties without that user's consent and it must expressly inform that user of the method, content and purpose of the collection and processing of such user's personal information and may only collect such information as necessary for the provision of its services. An Internet information service provider is also required to properly maintain the user's personal information, and in case of any leak or possible leak of a user's personal information, the Internet information service provider must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority. In addition, pursuant to the Decision on Strengthening the Protection of Online Information (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) issued by the SCNPC in December 2012 and the Order for the Protection of Telecommunication and Internet User's Personal Information (《電信和互聯網用戶個人信息保護規定》) issued by the MIIT in July 2013, any collection and use of a user's personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An Internet information service provider must also keep users' personal information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. An Internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.

The Internet Finance Guidelines, jointly released by ten PRC regulatory agencies in July 2015 purport, among other things, to require Internet finance service providers to improve technical security standards, and safeguard customer and transaction information. The Internet Finance Guidelines also prohibit Internet finance service providers from illegally selling or disclosing customers' personal information. The PBOC and other relevant regulatory authorities must jointly adopt the implementing rules. Pursuant to the Ninth Amendment to the Criminal Law issued by SCNPC effective in November 2015, any Internet service provider that fails to fulfill the obligations related to Internet information security administration as required by applicable laws and refuses to rectify upon administrative orders is subject to criminal penalty as a result of (i) any dissemination of illegal information in large scale; (ii) any severe effect due to the leakage of customers' information; (iii) any serious loss of criminal evidence; or (iv) other severe situation. Moreover, any individual or entity that (a) sells or provides personal information to others in a way that violates applicable law, or (b) steals or illegally obtain any personal information, is subject to criminal liabilities in severe situations.

In November 2016, the SCNPC promulgated the PRC Network Security Law (《中華人民共和國網絡安全法》), or the Network Security Law, which took effect on June 1, 2017. The Network Security Law aims to maintain network security, safeguard cyberspace sovereignty, national security and public interests, protect the lawful rights and interests of citizens, legal persons and other organizations. Pursuant to the Network Security Law, a network operator, including without limitation, Internet information service providers, must take technical measures and other necessary measures in accordance with the provisions of applicable laws and regulations as well as the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of networks, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Network Security Law has reaffirmed the basic principles and requirements as specified in other existing laws and regulations on personal information protections, such as requirements on the collection, use, processing, storage and disclosure of personal information, and internet service providers being required to take technical and

other necessary measures to ensure the security of the personal information they have collected and prevent that personal information from being divulged, damaged or lost. Any violation of the provisions and requirements under the Network Security Law may subject an Internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

Regulations Relating to Anti-money Laundering

The PRC Anti-money Laundering Law (《中華人民共和國反洗錢法》), which became effective in January 2007, sets forth the principal anti-money laundering requirements applicable to financial institutions as well as non-financial institutions with anti-money laundering obligations, including the adoption of precautionary and supervisory measures, establishment of various systems for client identification, retention of clients' identification information and transactions records, and reports on large transactions and suspicious transactions. According to the PRC Anti-money Laundering Law, financial institutions subject to the PRC Anti-money Laundering Law include banks, credit unions, trust investment companies, stock brokerage companies, futures brokerage companies, insurance companies and other financial institutions as listed and published by the PRC State Council, while the list of the non-financial institutions with anti-money laundering obligations will be published by the PRC State Council. The PBOC and other governmental authorities issued a series of administrative rules and regulations to specify the anti-money laundering obligations of financial institutions and certain non-financial institutions, such as payment institutions. However, as of the Latest Practicable Date, the PRC State Council has not promulgated the list of the non-financial institutions with anti-money laundering obligations.

The Internet Finance Guidelines also require Internet finance service providers to comply with certain anti-money laundering requirements, including the establishment of a customer identification program, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to the public security department and judicial authority in investigations and proceedings in relation to anti-money laundering matters. The PBOC will formulate implementing rules to further specify the anti-money laundering obligations of Internet finance service providers.

Regulation Relating to Foreign Investment

Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》), or the Catalog, which was promulgated and is amended from time to time by the MOFCOM and the NDRC. In June 2017, the MOFCOM and the NDRC promulgated a revision of the Catalog, or the Catalog (2017 Revision), which became effective in July 2017. Industries listed in the Catalog (2017 Revision) are divided into two parts: the encouraged category and the "Negative List" containing industries for which special management measures for the entry of foreign investment are imposed. The Negative List is further divided into a restricted category and a prohibited category. Industries not listed in the Catalog (2017 Revision) are generally deemed to be in a fourth "permitted" category, and are generally open to foreign investment unless specifically restricted by other PRC regulations. The Negative List, in a unified manner, lists the restrictive measures for the entry of foreign investment. For example, some restricted industries are limited to Sino-foreign equity/cooperative joint ventures, and in some cases, Chinese partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects are subject to higher-level government approvals. Furthermore, foreign investors are

not allowed to invest in companies in industries in the prohibited category. For the industries not listed in the Negative List, the restrictive measures for the entry of foreign investment must not apply in principle, and establishment of wholly foreign-owned enterprises in such industries is generally allowed. Our business is not listed in the "Negative List," and is not subject to any foreign restriction under the Catalog (2017 Revision).

The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are regulated by the PRC Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), as amended on September 3, 2016, and the Implementation Regulations of the Wholly Foreign-owned Enterprise Law (《外資企業法實施細則》), as amended on February 19, 2014. The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labor matters of a Sino-foreign equity joint venture are regulated by the PRC Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》) promulgated on July 8, 1997, as amended on September 3, 2016, and the Implementation Regulations of the PRC Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法實施細則》), as amended on February 19, 2014. In September 2016, the SCNPC published the Decision on Revising Four Laws including the PRC Foreign-invested Enterprise Law (《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》), which changes the "filing or approval" procedure for foreign investments in China such that foreign investments in business sectors not subject to special administrative measures are only required to complete a filing instead of the existing requirements to apply for approval. The special entry management measures must be promulgated or approved to be promulgated by the State Council. Pursuant to a notice issued by the NDRC and MOFCOM on October 8, 2016, the special entry management measures must be implemented with reference to the relevant regulations as stipulated in the Catalog in relation to the restricted foreign investment industries and prohibited foreign investment industries. Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by MOFCOM on October 8, 2016 and amended on July 30, 2017, establishment and changes of foreign investment enterprises not subject to the approval under the special entry management measures must be filed with the relevant commerce authorities.

Regulations Relating to Intellectual Property Rights

Copyright and Software Products

The SCNPC adopted the PRC Copyright Law (《中華人民共和國著作權法》) in September 1990 and amended it in October 2001 and February 2010, respectively. The amended PRC Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center.

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

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》), which was adopted in August 1982 and subsequently amended in February 1993, October 2001 and August 2013 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the PRC State Council in 2002 and amended on April 29, 2014. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. Trademark license agreements must be filed with the Trademark Office for record. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark 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. Trademark license agreements should be filed with the Trademark Office or its regional offices.

Domain Name

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Domain Names for the Chinese Internet (《中國互聯網域名管理辦法》), issued by MIIT on November 5, 2004 and effective as of December 20, 2004 which was replaced by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) issued by MIIT as of November 1, 2017, and the Implementing Rules on Registration of Domain Names (《中國互聯網信息中心域名註冊實施細則》) issued by China Internet Network Information Center on May 28, 2012, which became effective on May 29, 2012. 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.

Regulations Relating to Employment

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》) and the Implementing Regulations of the PRC Labor Contracts Law (《中華人民共和國勞動合同法實施條例》), labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

According to the PRC Social Insurance Law (《中華人民共和國社會保險法》) promulgated by the SCNPC and effective from July 1, 2011, the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》), Regulation of Unemployment Insurance (《失業保險條例》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), an employer is required to contribute social insurance for its employees in the PRC, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and injury insurance. Under the Regulations on the Administration of Housing Funds (《住房公積金管理條例》),

promulgated by the State Council on April 3, 1999 and as amended on March 24, 2002, an employer is required to make contributions to a housing fund for its employees.

The Ministry of Human Resources and Social Security promulgated the Interim Provisions on Labor Dispatch (《劳務派遣暫定規定》) on January 24, 2014. The Interim Provisions on Labor Dispatch, which became effective on March 1, 2014, states that labor dispatch should only be applicable to temporary, auxiliary or substitute positions. For purposes of these provisions, temporary positions mean positions subsisting for no more than six months, auxiliary positions mean positions of non-major business that serve the major businesses, and substitute positions mean positions that can be held by substitute employees for a certain period of time during which the employees who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. The Interim Provisions further provides that the number of the dispatched workers of an employer must not exceed 10% of its total workforce, and the total workforce of an employer must refer to the sum of the number of the workers who have executed labor contracts with the employer and the number of workers who are dispatched to the employer. According to the PRC Labor Contract Law, any failure to comply with regulations on labor dispatch by an employer may subject to such employer to rectify such failure of compliance within a specific time limit. If such employer fails to rectify within such time limit, then the employer will subject to a fine of RMB5,000 to RMB10,000 per dispatched worker. Moreover, an employer may also be held jointly and severally liable with third party staffing companies for damages if any violation of regulations on labor dispatch has caused damage to dispatched workers.

Regulations Relating to Foreign Exchange

Regulations on Foreign Currency Exchange

Pursuant to the Foreign Exchange Administration Regulations (《外匯管理條列》), as amended on August 5, 2008, the Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless prior approval is obtained from SAFE and prior registration with the SAFE is made.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19 on March 30, 2015. The SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16, effective on June 9, 2016, which, among other things, amended certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

From 2012, SAFE has promulgated several circulars to substantially amend and simplify the current foreign exchange procedure. Pursuant to these circulars, the opening of various special purpose foreign exchange accounts, the reinvestment of Renminbi proceeds by foreign investors in the PRC

and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE. In addition, domestic companies are allowed to provide cross-border loans not only to their offshore subsidiaries, but also to their offshore parents and affiliates. SAFE also promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的規定》) in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的規定》), or SAFE Circular 13, which took effect on June 1, 2015. SAFE Circular 13 delegates the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local branches of SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments.

On January 26, 2017, SAFE issued the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), or SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks must check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities must hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities must make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Regulations Relating to Stock Incentive Plans

In February 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. 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 PRC agent 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 PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC 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 PRC residents' exercise of the employee share options. The foreign exchange proceeds received by PRC residents from the sale of shares under the

stock incentive plans granted and dividends distributed by overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated on July 4, 2014 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before exercising such rights.

Regulations Relating to Dividend Distribution

The principal regulations governing distribution of dividends of foreign-invested enterprises include the PRC Company Law, the PRC Foreign Invested Enterprise Law (《中華人民共和國外資企業法》), the Implementation Rules of the PRC Foreign Invested Enterprise Law (《外資企業法實施細則》), the PRC Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》) and the Implementation Regulations of the PRC Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法實施細則》). Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

Regulations Relating to Taxation

Enterprise Income Tax

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or the EIT Law, which became effective on January 1, 2008 and amended on February 24, 2017, and its implementing rules, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay enterprise income tax at the rate of 25%, while non-PRC resident enterprises without any branches in the PRC pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%. An enterprise established outside of the PRC with its "de facto management bodies" located within the PRC is considered a "resident enterprise," meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

The EIT Law and the implementation rules 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 the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent that such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on

Income (《內地和香港特別行政區關於對所得税避免雙重徵税和防止偷税漏税的安排》), or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC 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》) issued on February 20, 2009 by the SAT, if the relevant PRC 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 PRC 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》), 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》) 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 are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Value-Added Tax and Business Tax

According to the Provisional Regulations on Value-added Tax (《增值税暫行條例》), which were promulgated by the PRC State Council on December 13, 1993 and were amended in November 2008, February 2016 and November 2017, and the Implementing Rules of the Provisional Regulations on Value-added Tax (《增值税暫行條例實施細則》), which were promulgated by the MOF on December 18, 2008 and subsequently amended by the MOF and the SAT on October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC must pay value-added tax.

Since January 1, 2012, the MOF and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業税改徵增值税試點方案》), or the VAT Pilot Plan, which imposes VAT in lieu of business tax for certain "modern service industries." According to the implementation circulars released by the MOF and the SAT on the VAT Pilot Plan, the "modern service industries" include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. According to the Notice of the Ministry of Finance and the SAT on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《財政部國家税務總局關於全面推開營業税改徵增值税試點的通知》) which became effective on May 1, 2016, entities and individuals engaging in the sale of services, intangible assets or fixed assets within the PRC territory are required to pay value-added tax instead of business tax. Following the implementation of the VAT Pilot Plan, most of our PRC subsidiaries and affiliates have been subject to VAT, at a rate of 6% or 17%, instead of business tax.