

[Table of Contents](#)
C. Research and Development, Patents and Licenses, etc.

See “Item 4. Information on the Company—B. Business Overview—Data and Technology” and “—Intellectual Property.”

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2020, to December 31, 2022 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires our management to make estimates that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information.

We evaluate these estimates on an ongoing basis. We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

Revenue Recognition

The revenue standard requires us to estimate the amount of variable consideration to which we will be entitled. For revenue recognition, we make estimates using surrender rate and renewal rate based on the historical experience, reasonable and supportable prediction of policy holders’ behavior, current economic conditions and other factors that may affect the realizability of brokerage income. The transaction price includes variable service fees which is estimated using the expected value method and is limited to the amount of variable consideration that is probable not to be reversed in future periods. The Group assesses whether the estimate of variable consideration is constrained. Changes in estimates used in the revenue recognition have a material impact on our financial statements. The estimation of variable consideration of revenue recognition did not change significantly throughout the periods presented and there is no indication that this estimate will change significantly in the near future.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**A. Directors and Senior Management**

The following table sets forth information regarding our directors and executive officers as of the date of this annual report. None of our directors or the directors of our operating entities are officials of the Chinese Communist Party.

[Table of Contents](#)

Directors and Executive Officers	Age	Position/Title
Cunjun Ma	51	Chairman of the Board of Directors and Chief Executive Officer
Xuchun Luo	53	Director and Secretary of the Board of Directors
Bin Wei	53	Independent Director
Jun Ge	50	Independent Director
Aaron Xiaolei Hou	49	Independent Director
Li Jiang	52	Chief Operating Officer
Ronald Tam	41	Co-Chief Financial Officer
Minghan Xiao	49	Co-Chief Financial Officer

Mr. Cunjun Ma is our founder and has been chairman of our board of directors and our chief executive officer since our inception. Mr. Cunjun Ma has over 24 years of insurance related experience, and holds exceptional insurance expertise and insights that have considerably contributed to our fast growth and unique corporate culture. He founded Shenzhen Huize Internet Insurance Agent Co., Ltd. in 2006 and worked as its general manager until June 2011. Prior to that, he worked as the head of a subsidiary of Hua An Property Insurance Co., Ltd. for two years. Prior to that, Mr. Ma worked in Shenzhen branch of Ping An Property Insurance Co., Ltd. from August 1995 to February 2004. Mr. Ma obtained an MBA degree from Nankai University.

Ms. Xuchun Luo has served as our secretary of the board of directors since our inception. Ms. Luo has over 14 years of insurance related experience, and 19 years of accounting and financing related experience. Before joining our company, Ms. Luo worked as a department manager in Shenzhen Huize Internet Insurance Agent Co., Ltd. from March 2007 to November 2011. Ms. Luo also worked in Hua An Property Insurance Co., Ltd. for two years. Prior to that, Ms. Luo worked as an accountant in Industrial and Commercial Bank of China for 15 years, and as a department manager in an industrial company for two years. Ms. Luo obtained a Specialist's degree in Financial Accounting from Jiangxi Radio and Television University in 2001, and a Bachelor's degree in Law from The Open University of China in 2009.

Mr. Bin Wei has served as our independent director since February 2020. Mr. Wei has over 26 years of accounting and finance related experience. Mr. Wei has served as an asset management partner of CDH Investments Management (Hong Kong) Limited since April 2019. Prior to that, he served as a partner at Hillhouse Capital Group from April 2018 to March 2019. Prior to that, Mr. Wei worked in China Resources (Holdings) Co., Ltd. for 16 years from 2001 to 2017 in his capacities as director of finance, chief accountant and chief financial officer. From 1996 to 2001, Mr. Wei worked as the head of the accounting department in Nanguang (Group) Co., Ltd. Prior to that, Mr. Wei worked in the Audit Office of the Ministry of Foreign Trade and Economic Cooperation as a civil servant from 1992 to 1996. Mr. Wei serves as directors of various companies listed on Hong Kong Stock Exchange, including Hao Tian International Construction Investment Group Limited (HKSE: 1341), Honghua Group Limited (HKSE: 00196) and OCI International Holdings Limited (HKSE: 0329). Mr. Wei has become qualified as a Chinese CPA since 1993, a Senior Auditor in China since 2003 and a Senior Accountant in China since 2003. Mr. Wei obtained his bachelor's degree in Auditing from Zhongnan University of Finance and Economics in 1992, and his master's degree in Finance from Jinan University in 2001.

Mr. Jun Ge has served as our independent director since February 2020. Mr. Ge had previously served as the assistant engineer of Shanghai Research institute of Building Research; administrative manager, deputy director of the corporation and public affairs department, director of the President office, secretary general of the foundation and Assistant president of the China Europe International Business School; President of the Pudong Innovation Institute; and associate dean of the Shanghai Institute of Advanced Finance at Shanghai Jiaotong University. Mr. Ge is currently an Executive director of the National Innovation and Development Strategy Research Association. Mr. Ge has been an independent non-executive director of China Mengniu Dairy Co., Ltd. (HKEX, stock code: 2319) since December 2021, and an independent director of Shenzhen Aisidi Co., Ltd. (Shenzhen Stock Exchange, stock code: 002416) since October 2022. Mr. Ge was an independent director of Focus Media Information Technology Co., Ltd. (Shenzhen Stock Exchange, stock code: 002027) from February 2019 to November 2021. Mr. Ge was also an independent director of Meinian Onehealth Healthcare Holdings Co., Ltd. (Shenzhen Stock Exchange, stock code: 002044) from October 2018 to October 2021. Mr. Ge's areas of academic expertise include corporate governance, corporate stakeholder relations, evaluation of innovation mechanism, responsible business and sustainable development.

Mr. Aaron Xiaolei Hou has served as our independent director since February 2021. He has nearly 20 years of risk management and capital markets experience. He founded China Springs Capital Co., Ltd. in October 2016, and currently serves as its Chief Executive Officer and Chief Investment Officer. Prior to that, he worked as the Chief Risk Officer of CITIC Securities from 2011 to 2013, and an executive director in the market risk management division at the global headquarter of Goldman Sachs Group in New York from 2007 to 2013. Mr. Hou received his MBA degree in Finance and Accounting from the University of Rochester in 2000, and Masters of Science in Quantitative Methods and Modeling from CUNY Baruch College in 2003.

[Table of Contents](#)

Mr. Li Jiang has served as our chief operating officer since 2015. Mr. Jiang has been working in the insurance industry since 2003. Prior to joining our company, Mr. Jiang worked as senior manager in Starr Insurance (China) from 2009 to 2015. Prior to that, Mr. Jiang worked as senior manager in AIG Insurance from 2003 to 2009. Before entering the insurance industry, Mr. Jiang worked as marketing manager for AirChina from 1993 to 2003. Mr. Jiang obtained his Master's degree in Marketing from Hong Kong University in 2013.

Mr. Ronald Tam has served as our co-chief financial officer since August 2020. Prior to that, Mr. Tam served as our chief strategy officer from April 2020 to July 2020. Mr. Tam has over 15 years of experience in driving and executing corporate strategy, strategic investments, mergers and acquisitions and capital markets transactions. Prior to joining our company, Mr. Tam served as the chief financial officer of Chong Sing Holdings FinTech Group Limited, a Hong Kong-listed fintech group, from 2016 to 2019, and Vice President of Corporate Finance from 2014 to 2016. Prior to that, Mr. Tam was an executive director and head of general industries investment banking for Greater China at Daiwa Capital Markets Hong Kong Limited from 2011 to 2013. Mr. Tam was a director at Crosby Capital Partners with a focus on private equity and special situations investments from 2010 to 2011. Mr. Tam commenced his career in investment banking at Goldman Sachs (Asia) L.L.C. in Hong Kong from 2002 to 2008 in its Equity Capital Markets and Corporate Finance groups, and advised corporate clients and financial sponsors on equity, equity-linked and M&A transactions across industries in Asia. Mr. Tam graduated magna cum laude with a Bachelor of Arts degree in Economics and Computer Science from Yale University in 2002, and is currently a Finance EMBA candidate at Tsinghua PBC School of Finance.

Mr. Minghan Xiao has served as our co-chief financial officer since November 2016. Prior to joining our company, Mr. Xiao worked in his capacity as chief financial officer, senior accountant or secretary of board of directors in several companies from October 2007 to May 2016. Mr. Xiao worked in his capacity as assistant manager for Klynveld Peat Marwick Goerdeler from November 2006 to August 2007, and as senior accountant for Deloitte Touche Tohmatsu Limited from December 2004 to October 2006. Prior to that, Mr. Xiao worked for five years in a PRC accounting firm. Mr. Xiao obtained his Bachelor's degree in Logic from the Department of Philosophy, Peking University in 1995, and his Master's degree in Logic from the Department of Philosophy, Sun Yat-sen University in 1998.

B. Compensation

For the fiscal year ended December 31, 2022, we paid an aggregate of RMB11.4 million (US\$1.7 million) in cash to our executive officers, and paid RMB1.4 million (US\$0.2 million) to our non-executive directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our directors and executive officers. Our WFOE, the VIE and its subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, for certain acts of the executive officer, such as continued failure to satisfactorily perform, willful misconduct or gross negligence in the performance of agreed duties, conviction or entry of a guilty or nolo contendere plea of any felony or any misdemeanor involving moral turpitude, or dishonest act that results in material to our detriment or material of the employment agreement. We may also terminate an executive officer's employment without cause upon 60-day advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as may be agreed between the executive officer and us. The executive officer may resign at any time with a 60-day advance written notice.

[Table of Contents](#)

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of employment. Specifically, each executive officer has agreed not to (i) solicit from any client doing business with us during the effective term of the employment agreement business of the same or of a similar nature to our business; (ii) solicit from any of our known potential client business of the same or of a similar nature to that which has been the subject of our known written or oral bid, offer or proposal, or of substantial preparation with a view to making such a bid, proposal or offer; (iii) solicit the employment or services of, or hire or engage, any person who is known to be employed or engaged by us; or (iv) otherwise interfere with our business or accounts, including but not limited to with respect to any relationship or agreement between any vendor or supplier and us.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

Share Incentive Plans

Global Share Incentive Plan

On June 30, 2019, our shareholders and board of directors approved the Global Share Incentive Plan, which we refer to as the Global Plan in this annual report, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants, and promote the success of our business. The maximum aggregate number of common shares that may be issued under Global Plan is 57,501,813 common shares.

The following paragraphs summarize the principal terms of the Global Plan.

Type of Awards. The Global Plan permits the awards of options, restricted share units and other types of share incentive awards.

Plan Administration. Our board of directors or a committee of one or more members of the board will administer the Global Plan. The plan administrator will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each grant.

Award Agreement. Awards granted under the Global Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to our directors, employees, consultants and members.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Exercise of Options. The plan administrator determines the exercise price for each award, which is stated in the relevant award agreement. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, the maximum exercisable term is ten years from the date of effectiveness of the Global Plan.

Transfer Restrictions. Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the Global Plan or the relevant award agreement or otherwise determined by the plan administrator, such as transfers by will or the laws of descent and distribution.

[Table of Contents](#)

Termination and Amendment of the Global Plan. The administrator has the authority to terminate, amend, suspend or modify the Global Plan in accordance with our articles of association. However, no such action may adversely affect in any material way any award previously granted pursuant to the Global Plan.

Amended and Restated 2019 Share Incentive Plan

On June 30, 2019, our shareholders and board of directors approved the 2019 Plan to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants, and promote the success of our business. The maximum aggregate number of common shares that may be issued under 2019 Plan was 20,351,945 common shares. On September 8, 2021, our board of directors approved the Amended and Restated 2019 Share Incentive Plan thereby, increasing the maximum aggregate number of common shares that may be issued under such plan to 51,703,365 Class A common shares.

The following paragraphs summarize the principal terms of the Amended and Restated 2019 Plan.

Type of Awards. The Amended and Restated 2019 Plan permits the awards of options, restricted shares, restricted share under other types of share incentive awards.

Plan Administration. Our board of directors or a committee of one or more members of the board will administer the Amended and Restated 2019 Plan. The committee will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each grant.

Award Agreement. Awards granted under the Amended and Restated 2019 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to our directors, employees, consultants and members.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Exercise of Options. The plan administrator determines the exercise price for each award, which is stated in the relevant award agreement. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, the maximum exercisable term is ten years from the date of effectiveness of the Amended and Restated 2019 Plan.

Transfer Restrictions. Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the Amended and Restated 2019 Plan or the relevant award agreement or otherwise determined by the plan administrator, such as transfers by will or the laws of descent and distribution.

Termination and Amendment of the Amended and Restated 2019 Plan. At any time and from time to time, the board may terminate, amend or modify the plan; *provided, however*, that (a) to the extent necessary and desirable to comply with applicable laws or stock exchange rules, the Company shall obtain shareholder approval of any plan amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice, and (b) unless the Company decides to follow home country practice, shareholder approval is required for any amendment to the plan that (i) increases the number of shares available under the plan, or (ii) permits the committee to extend the term of the plan or the exercise period for an option beyond ten years from the date of grant.

The following table summarizes, as of February 28, 2023, the number of common shares underlying outstanding options and restricted shares that we granted to our directors and executive officers under the Global Plan and the Amended and Restated 2019 Plan.

[Table of Contents](#)

Name	Common Shares Underlying Options and Restricted Shares	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Cunjun Ma	Options: 7,556,701	0.1607	June 30, 2019	
	Restricted Shares: 14,229,183	0	June 30, 2019	June 30, 2029
	Options: 3,911,945	0.1490	September 8, 2021	September 8, 2031
Xuchun Luo	Options: 802,803	0.1607	June 30, 2019	
	Restricted Shares: 3,114,150	0	June 30, 2019	June 30, 2029
	Options: 1,600,000	0.1490	September 8, 2021	September 8, 2031
Li Jiang	Options: *	0.1607	June 30, 2019	
	Restricted Shares: *	0	June 30, 2019	June 30, 2029
Ronald Tam	Options: *	0.3500	March 9, 2021	June 30, 2029
	Restricted Shares: *	0	March 9, 2021	June 30, 2029
Minghan Xiao	Options: *	0.1607	June 30, 2019	
	Restricted Shares: *	0	June 30, 2019	June 30, 2029
	Options: *	0.1490	September 8, 2021	September 8, 2031
Other employees	Options: 4,577,354	0.1607	June 30, 2019	June 30, 2029
	Restricted Shares: 6,140,718	0	August 19, 2019	August 19, 2029
	Options: 10,880,000	0.1490	September 8, 2021	September 8, 2031

* Less than 1% of our total outstanding shares.

As of February 28, 2023, our employees, other than our directors and executive officers, held 5,556,815 restricted shares and options to purchase 4,119,952 Class A common shares with exercise price of US\$0.1607 per share, under the Global Plan, and options to purchase 9,602,500 Class A common shares, with exercise price of US\$0.1490 per share, under the Amended and Restated 2019 Plan.

C. Board Practices

Our board of directors consists of five directors. A director is not required to hold any shares in our company by way of qualification. A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our company is required to declare the nature of his interest at a meeting of our directors at which the question of entering into the contract or arrangement is first considered. Subject to any separate requirement for audit committee approval, the Nasdaq Global Market rules and disqualification by the chairman of the relevant board meeting, a director may vote in respect of any contract or arrangement or proposed contract or arrangement notwithstanding that he may be interested therein, and if he does so his vote shall be counted and he shall be counted in the quorum at any meeting of our directors at which any such contract or transaction or proposed contract or transaction is considered. Our directors may exercise all the powers of our company to raise or borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof, to issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of our company or of any third party.

Committees of the Board of Directors

We have established three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Bin Wei, Jun Ge and Aaron Xiaolei Hou. Bin Wei is the chairman of our audit committee. We have determined that each of Bin Wei, Jun Ge and Aaron Xiaolei Hou satisfies the "independence" requirements of Nasdaq Stock Market Rules and Rule 10A-3 under the Exchange Act. We have determined that Bin Wei qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;

[Table of Contents](#)

- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee. Our compensation committee consists of Bin Wei, Jun Ge and Aaron Xiaolei Hou. Jun Ge is the chairman of our compensation committee. We have determined that each of Bin Wei, Jun Ge and Aaron Xiaolei Hou satisfies the "independence" requirements of Rule 5605 of the Nasdaq Stock Market Rules. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Bin Wei, Jun Ge and Aaron Xiaolei Hou. Aaron Xiaolei Hou is the chairperson of our nominating and corporate governance committee. Each of Bin Wei, Jun Ge and Aaron Xiaolei Hou satisfies the "independence" requirements of Rule 5605 of the Nasdaq Stock Market Rules. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees and officer nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

[Table of Contents](#)

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. A director must exercise the skill and care of a reasonably diligent person having both (i) the general knowledge, skill and experience that may reasonably be expected of a person in the same position (an objective test), and (ii) if greater, the general knowledge, skill and experience that that director actually possesses (a subjective test). In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. In certain limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual and extraordinary general meetings and reporting its work to shareholders at such meetings; declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our share register.

Terms of Directors and Officers

Our directors may be elected by an ordinary resolution of our shareholders. Alternatively, our board of directors may, by the affirmative vote of a simple majority of the directors present and voting at a board meeting appoint any person as a director to fill a casual vacancy on our board. Our directors are not automatically subject to a term of office and will hold office until such time as they resign or are removed from office by an ordinary resolution of our shareholders. Notwithstanding the foregoing, for so long as SAIF IV Healthcare (BVI) Limited is a shareholder holding at least 10% of the issued shares of our company, it shall have the exclusive right to appoint, remove and replace one director by written notice to our company and such appointment, removal or replacement shall become effective forthwith upon delivery of such written notice to our company without the need for further authorization from the board of directors or shareholders. On May 9, 2020, SAIF IV Healthcare (BVI) Limited executed a waiver letter to waive such right. As of December 31, 2022, SAIF IV Healthcare (BVI) Limited held no equity interests in our company. In addition, a director will cease to be a director if he (i) resigns his office by notice delivered to our company or tendered at a board meeting; (ii) becomes of unsound mind or dies; (iii) without special leave of absence from the board of directors, is absent from meetings of the board for six consecutive times and the board resolves that his office be vacated; (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors; (v) is prohibited by law from being a director; or (vi) ceases to be a director by virtue of any provision of the Companies Act or our articles of association.

Our officers are appointed by and serve at the discretion of the board of directors, and may be removed by our board of directors save that the chairman of the board shall be elected and removed by ordinary resolution of shareholders. Executive officers, including but not limited to chief executive officer, chief operating officer, co-chief financial officers, shall be nominated by the nominating and corporate governance committee of the board.

Board Diversity Matrix

Board Diversity Matrix (As of February 28, 2023)	
Country of Principal Executive Offices	PRC
Foreign Private Issuer	Yes
Disclosure Prohibited Under Home Country Law	No
Total Number of Directors	5

[Table of Contents](#)

	<u>Female</u>	<u>Male</u>	<u>Non-Binary</u>	<u>Did Not Disclose Gender</u>
Part I: Gender Identity				
Directors	1	4	0	0
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction			0	
LGBTQ+			0	
Did Not Disclose Demographic Background			0	

D. Employees

As of December 31, 2020, 2021 and 2022, we had 1,314, 1,644 and 1,034 employees. The following table sets forth the numbers of our employees categorized by function as of December 31, 2022.

Functions:	<u>As of December 31, 2022</u>	
	<u>Number</u>	<u>% of Total</u>
Insurance consulting	238	23.0
Sales, marketing and training	329	31.8
Client service	86	8.3
Product management	27	2.6
Research and technology	228	22.1
General and administrative	126	12.2
Total	<u>1,034</u>	<u>100.0</u>

E. Share Ownership

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our common shares on an as-converted basis as of February 28, 2023, by:

- each of our directors and executive officers; and
- each of our principal shareholders who beneficially own more than 5% of our total issued and outstanding shares.

The calculations in the table below are based on 1,023,336,193 common shares issued and outstanding as of February 28, 2023, including (i) 872,744,986 Class A common shares (excluding 4,852,460 Class A common shares reserved for issuance under our Global Plan and 2019 Plan and 16,858,600 Class A common shares in the form of ADSs that we repurchased under our share repurchase program); and (ii) 150,591,207 Class B common shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

[Table of Contents](#)

	Common shares Beneficially Owned			
	Class A Common Shares	Class B Common Shares	% of Total Common Shares	% of Aggregate Voting Power†
Directors and Executive Officers**:				
Cunjun Ma ⁽¹⁾	157,362,332	150,591,207	29.8	76.8
Xuchun Luo	15,922,109	—	1.5	*
Bin Wei	—	—	—	—
Jun Ge	—	—	—	—
Aaron Xiaolei Hou	—	—	—	—
Li Jiang	*	—	*	*
Ronald Tam	*	—	*	*
Minghan Xiao	*	—	*	*
All Directors and Executive Officers as a Group	188,796,195	150,591,207	32.3	77.3
Principal Shareholders:				
Huidz Holding Limited ⁽¹⁾	—	150,591,207	14.7	72.1
Crov Global Holding Limited ⁽²⁾	155,928,400	—	15.2	5.0
Wande Weirong Limited ⁽³⁾	98,321,680	—	9.6	3.1
CDF Capital Insurtech Limited ⁽⁴⁾	80,991,300	—	7.9	2.6
Bodyguard Holding Limited ⁽⁵⁾	55,110,084	—	5.4	1.8

* Less than 1% of our total common shares on an as-converted basis outstanding as of February 28, 2023.

** Except as indicated otherwise below, the business address of our directors and executive officers is 49/F, Building T1, Qianhai Financial Centre, Linhai Avenue, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen 518000, People's Republic of China.

† For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B common shares as a single class. In respect of all matters subject to a shareholders' vote, each Class A common share is entitled to one vote, and each Class B common share is entitled to 15 votes, voting together as a single class. Each Class B common share is convertible into one Class A common share at any time at the option of the holder thereof. Class A common shares are not convertible into Class B common shares under any circumstances.

- (1) Represents (i) 10,018,366 Class A common shares issuable to Mr. Cunjun Ma upon exercise of options within 60 days after February 28, 2023; (ii) 10,190,660 Class A common shares in the form of ADSs held by Mr. Cunjun Ma; (iii) 150,591,207 Class B common shares directly held by Huidz Holding Limited, a company incorporated in British Virgin Islands that is ultimately controlled by QYRT Family Trust, a trust established under the laws of the British Virgin Islands and managed by HSBC International Trustee Limited as the trustee. Mr. Cunjun Ma is the settlor of the trust and his family member(s) are the trust's beneficiaries. Mr. Cunjun Ma also has sole voting power to 137,153,306 Class A common shares held by other shareholders of our company, including Wande Weirong Limited, CDF Capital Insurtech Limited, Bodyguard Holding Limited, Tian Jin kun Zhi Enterprise management Limited, Kunlun Technology Limited, Jumi Holding Limited and One Mind Holding Limited.
- (2) Based on the statement on Schedule 13G/A filed on February 9, 2023, represents (i) 23,999,260 Class A common shares in the form of 1,199,963 ADSs and (ii) 131,929,140 Class A common shares, held by Crov Global Holding Limited, a company incorporated in the British Virgin Islands. Crov Global Holding Limited is wholly owned by Made-in-China.com LIMITED, which in turn is wholly owned by Focus Technology Co., Ltd., a company with its securities listed on Shenzhen Stock Exchange (stock code: 002315). Mr. Jinhua Shen is the controlling shareholder and chairperson of Focus Technology Co., Ltd. The registered address of Crov Global Holding Limited is Marcy Building, 2nd Floor, Purcell Estate, P.O. Box 2416 Road Town, Tortola, British Virgin Islands.
- (3) Based on the statement on Schedule 13G/A filed on February 11, 2021, and information provided by Wande Weirong Limited, represents 98,321,680 Class A common shares in the form of 4,916,084 ADSs held by Wande Weirong Limited, a company incorporated in the British Virgin Islands. Wande Weirong Limited is wholly owned by Jiaying Weirong Investment Management Partnership (Limited Partnership), whose general partner is Wanrong Times Asset Management (Xuzhou) Co., Ltd. Beijing Wanrong Times Capital Management Co., Ltd. is the controlling shareholder of Wanrong Times Asset Management (Xuzhou) Co., Ltd. Mr. Jun Xiong is the controlling shareholder of Beijing Wanrong Times Capital Management Co., Ltd. Mr. Jun Xiong disclaims beneficial ownership of the shares held by Wande Weirong Limited, except to the extent of his pecuniary interests therein. The registered address of Wande Weirong Limited is Sea Meadow House, P.O. Box 116, Road Town, Tortola, British Virgin Islands. Wande Weirong Limited has, pursuant to certain irrevocable proxy and power of attorney, delegated the voting power of 5,565,380 Class A common shares to Mr. Cunjun Ma, our chairman and chief executive officer.
- (4) Based on the statement on Schedule 13G/A filed on February 11, 2021, represents 80,991,300 Class A common shares held by CDF Capital Insurtech Limited, a company incorporated in the British Virgin Islands. CDF Capital Insurtech Limited is wholly owned by Tianjin Chuangdongfang Enterprise Management Partnership (Limited Partnership), whose general partner is Mr. Ke Xiao. The registered address of CDF Capital Insurtech Limited is Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands VG1 110. CDF Capital Insurtech Limited has, pursuant to certain irrevocable proxy and power of attorney, delegated the voting power of 3,339,220 Class A common shares to Mr. Cunjun Ma, our chairman and chief executive officer.

[Table of Contents](#)

- (5) Based on the statement on Schedule 13G/A filed on February 14, 2023, represents 55,020,084 Class A common shares directly held by Bodyguard Holding Limited, an ESOP platform for the restricted share award of the Issuer or on behalf of certain director, and 800,000 Class A common shares held by Bodyguard Holding Limited in the form of ADSs. The restricted shares are granted to certain directors, management and key employees of the Issuer who are shareholders of Bodyguard Holding Limited. The sole voting power of these Class A common shares has been delegated to Mr. Cunjun Ma. See “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans” for details. The address of Bodyguard Holding Limited is Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands VG1 110.

To our knowledge, as of February 28, 2023, 611,423,760 of our common shares were held by one record holder in the United States, which was Citibank N.A., the depository of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our common shares in the United States.

Our common shares are divided into Class A common shares and Class B common shares. Holders of Class A common shares are entitled to one vote per share, while holders of Class B common shares are entitled to fifteen votes per share.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

F. Disclosure of a Registrant’s Action to Recover Erroneously Awarded Compensation

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

Contractual Arrangements with The VIE and Its Shareholders

See “Item 4. Information on the Company—C. Organizational Structure.”

Shareholders Agreement and Registration Rights

We entered into a shareholders agreement with our shareholders on June 4, 2019, that provides for certain shareholders’ rights, including registration rights, information and inspection rights, right of participation, right of first refusal and right of co-sale, and contains provisions governing our board of directors and other corporate governance matters. Such shareholder rights and corporate governance provisions, other than the registration rights, automatically terminated upon the completion of our initial public offering.

Set forth below is a description of the registration rights granted under the shareholders agreement that survives our initial public offering.

Demand Registration Rights

Holders of at least 33% of the registrable securities then outstanding have the right to demand that we file a registration statement covering the registrable securities that the holders request to be registered. We have the right to defer filing of a registration statement for a period of not more than ninety (90) days after the receipt of the request of the initiating holders if we furnish to the holders requesting registration a certificate signed by our president or chief executive officer stating that in the good faith judgment of our board of directors, it would be materially detrimental to us and our shareholders for such registration statement to be filed at such time. However, we cannot exercise the deferral right for a period more than ninety (90) days after receipt of the request of the holder. We are obligated to effect no more than three demand registrations, other than demand registration to be effected pursuant to registration statement on Form F-3, for which an unlimited number of demand registrations shall be permitted.

[Table of Contents](#)

If we are a PFIC in any taxable year, a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations”) may incur significantly increased United States federal income tax on gain recognized on the sale or other disposition of the ADSs or Class A common shares and on the receipt of distributions on the ADSs or Class A common shares to the extent such gain or distribution is treated as an “excess distribution” under the United States federal income tax rules, and such U.S. Holder may be subject to burdensome reporting requirements. Further, if we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A common shares, we will generally continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or Class A common shares. For more information see “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Considerations.”

We incur increased costs as a result of being a public company, particularly after we cease to qualify as an “emerging growth company.”

As a public company, we incur significant legal, accounting and other expenses that we would not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the Nasdaq Global Market, impose various requirements on the corporate governance practices of public companies. As a company with less than US\$1.235 billion in revenues for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the emerging growth company’s internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, we have elected to “opt out” of the provision that allow us to delay adopting new or revised accounting standards and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

Under these rules and regulations, as a public company, we may increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a public company, we need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. Operating as a public company also makes it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we may incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company’s securities. If we were involved in a class action suit, it could divert a significant amount of our management’s attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our founding team began operating an online insurance business under the “Huize” brand in 2006. Huize Insurance Brokerage Co., Ltd., or Huize Brokerage, formerly known as Shenzhen Huize Insurance Brokerage Co., Ltd., was established in 2011 in preparation for the launch of our platform. Mr. Cunjun Ma, the chairman of our board of directors and our chief executive officer, was our founder.

[Table of Contents](#)

In 2014, Mr. Cunjun Ma established Shenzhen Huiye Tianze Investment Holding Co., Ltd., or Huiye Tianze, together with Focus Technology Co., Ltd. as a holding company in the PRC. Huiye Tianze acquired 100% shares of Huize Brokerage in 2014. Huiye Tianze subsequently established or acquired a series of wholly owned subsidiaries in the PRC, including Huize (Chengdu) Internet Technology Co., Ltd., Shenzhen Huize Shidai Co., Ltd., or Huize Shidai, and Shenzhen Zhixuan Wealth Investment Management Co., Ltd. We have been operating our business primarily through Huiye Tianze and its subsidiaries, including Huize Brokerage and Huize Shidai, since 2014.

When established, Huiye Tianze was initially owned by Mr. Cunjun Ma through his holding vehicle, and Focus Technology Co., Ltd. Huiye Tianze has completed four rounds of equity financing since its inception. In December 2014, Xiamen Siyuan Investment Management Co., Ltd. invested in Huiye Tianze. In January 2016, Mr. Cunjun Ma's holding vehicle increased its shareholding in Huiye Tianze. In April 2016, several strategic investors, including, among others, Beijing La Ka La Internet Industrial Investment Fund LLP, Shenzhen Chuang Dong Fang Internet Financing Investment LLP and Jiaying Weirong Investment Management Limited Partnership, invested in Huiye Tianze. In July 2016, Shenzhen Dachen Chuangkun Investment Limited Partnership invested in Huiye Tianze. In July 2018, Xinyu Dong Guang Yuan Investment Management Center LLP and Beijing La Ka La Investment Management Co., Ltd. invested in Huiye Tianze through purchasing a convertible bond issued by Huiye Tianze, a portion of which was converted to preferred shares in October 2018.

Our company, Huize Holding Limited, formerly known as Smart Choice Holding Limited, was established in 2014 by three shareholders: (i) Huidz Holding Limited, Mr. Cunjun Ma's holding company incorporated in the British Virgin Islands; (ii) Crov Global Holding Limited, incorporated in the British Virgin Islands, the investment vehicle of Focus Technology Co., Ltd., an A-share listed company; and (iii) SAIF IV Hong Kong (China Investments) Limited incorporated in Hong Kong. Huize Holding Limited established Smart Choice Ventures Limited in the British Virgin Islands and Hong Kong Smart Choice Ventures Limited, or Hong Kong Smart Choice, in Hong Kong. Hong Kong Smart Choice subsequently established a wholly owned subsidiary in China, Zhixuan International Management Consulting (Shenzhen) Co., Ltd., or our WFOE, in 2015.

In June 2019, in preparation of our initial public offering, we undertook a restructuring in order for shareholders of the VIE to own shares of our company, and we obtained control and became the primary beneficiary of Huiye Tianze by entering into a series of contractual arrangements with it and its shareholders through our WFOE. Due to the PRC legal restrictions on foreign ownership of internet-based businesses and qualifications requirements on foreign investors in the insurance brokerage business, we rely on these contractual arrangements to conduct a significant part of our operations in China. As a result of our equity ownership in our WFOE and the contractual arrangements with Huiye Tianze, or the VIE, and its shareholders, we are regarded as the primary beneficiary of the VIE, and we treat the VIE and its subsidiaries as a variable interest entity under U.S. GAAP. We have consolidated the financial results of the VIE and its subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. In June 2019, the VIE's shareholders became shareholders of our company through their respective holding vehicles, and the shareholders' rights and shareholding structure are substantially identical as the previous ones of the VIE.

On February 11, 2020, our ADSs commenced trading on the Nasdaq Global Market under the symbol "HUIZ." We raised approximately US\$47.7 million in net proceeds from our initial public offering after deducting underwriting commissions and the offering expenses payable by us.

On April 15, 2020, our board of directors authorized a share repurchase program under which we may repurchase up to US\$10 million of our outstanding American depositary shares over the next 12 months, subject to relevant rules under the Securities Exchange Act of 1934, as amended, and our insider trading policy. The share repurchases may be made from time to time in the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations.

On August 17, 2021, our board of directors approved a management share purchase plan, pursuant to which Mr. Cunjun Ma, our chairman of the board of directors and chief executive officer, and certain other members of our management team intend to allocate their personal funds to purchase up to an aggregate of US\$5 million worth of our ADSs during a six-month period, pursuant and subject to applicable laws and our securities trading policy. The management share purchase may be made from time to time in the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations. The management team has agreed to be subject to lock-up restrictions for a period of six months with respect to the proposed purchased shares.

[Table of Contents](#)

In December 2021, we, through a wholly owned subsidiary of the VIE, acquired 100% equity interest in Shenzhen Detong Insurance Agency Co., Ltd., formerly known as Shanghai Senhao Insurance Agency Co., Ltd., a nationwide professional insurance agency company founded in 2015 with business networks in 11 provincial areas in China and holds a nationwide Insurance Agency License issued by the CBIRC.

On December 31, 2021, our board of directors approved the establishment of an Environmental, Social and Governance Committee, or the ESG Committee, aimed at enhancing our ESG performance and disclosure, and sustainable development. The ESG Committee consists of the Secretary of the Board and senior management members from core operational and administrative departments. Under the supervision of the Board, the ESG Committee will be responsible for formulating ESG strategies and goals, identifying and evaluating ESG risks and impacts, and overseeing the ESG initiatives and practices of our company.

On March 16, 2022, our board of directors authorized a share repurchase program under which we may repurchase up to US\$5 million of our outstanding American depositary shares over the next 12 months, subject to relevant rules under the Securities Exchange Act of 1934, as amended, and our insider trading policy. The share repurchases may be made from time to time in the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations. Our board of directors will review the share repurchase program periodically and may authorize adjustment of its terms and size. We expect to fund repurchases made under this program from our existing funds.

On March 17, 2023, our board of directors authorized a share repurchase program under which we may repurchase up to US\$5 million of our Class A common shares in the form of American depositary shares over the next 12 months, subject to relevant rules under the Securities Exchange Act of 1934, as amended, and our insider trading policy. The share repurchases may be made from time to time in the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations. Our board of directors will review the share repurchase program periodically and may authorize adjustment of its terms and size. We expect to fund repurchases made under this program from our existing cash balance and cash generated from operations.

The SEC maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC using its EDGAR system.

See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures” for a discussion of our capital expenditures.

B. Business Overview

We are an independent online insurance product and service platform in China. As a licensed insurance intermediary operating online platforms, we do not bear underwriting risks. We distribute on our platform insurance products underwritten by the insurance companies who cooperate with us, who we refer to as our insurer partners, and help them reach a large number of insurance clients. Our platform offers digitalized insurance purchase experience and services through various internet and mobile internet channels. We primarily generate revenues from the insurance brokerage fees paid by our insurer partners.

We have accumulated a large insurance client base. As of December 31, 2022, we had cumulatively served 8.4 million insurance clients. A substantial portion of our insurance client base are the younger generation, particularly life and health insurance clients. In 2022, the average age of insurance clients who purchased life and health insurance products through our platform was 33.8.

[Table of Contents](#)

In order to serve our clients' protection needs, we offer a wide variety of insurance products with easy-to-understand terms and focusing on protection. Our products cover two major categories—life and health insurance products, and property & casualty insurance products. In 2022, we offered approximately 356 life and health insurance products and approximately 314 property & casualty insurance products. Our life and health insurance products contributed to 94.4% of our brokerage income in 2022. Our long-term life and health insurance products primarily consist of whole life insurance products, which provide life insurance for the insured's entire life in exchange for the periodic payment of fixed premiums over a pre-determined period, generally ranging from five to 20 years, or until the insured reaches a certain age. Starting from late 2019, we have been diversifying our insurance product offerings, such as starting to offer annuity and endowment life insurance products, in order to attract a wider client demographics and serve our clients' lifetime insurance needs. Our annuity and endowment life insurance products contributed to 50.1% of our brokerage income in 2022.

We have established business cooperation with a large group of insurer partners. As of December 31, 2022, we cooperated with 106 insurer partners, representing a substantial portion of all licensed insurance companies in China. We empower our insurer partners to reach a massive and fragmented client base quickly, and enhance their insurance sales through our online platform. We have also integrated critical steps in the insurance policy distribution process, such as intelligent underwriting and in-force policy administration, in our system. In addition, we design and develop tailor-made insurance products together with our insurer partners. In 2022, approximately 64.8% of the GWP facilitated through our platform were contributed by tailor-made insurance products that we developed together with our insurer partners.

The cumulative number of insurance clients we served increased from approximately 6.8 million as of December 31, 2020, to 7.5 million as of December 31, 2021, and further to 8.4 million as of December 31, 2022. The GWP we facilitated increased from RMB3,019.9 million in 2020 to RMB5,018.2 million in 2021, and further to RMB4,907.9 million (US\$711.6 million) as of December 31, 2022. We primarily generate revenues from the commission fees that we charge our insurer partners for facilitating insurance policies and generating premiums for them. Our total operating revenue increased from RMB1,220.2 million in 2020 to RMB2,245.0 million in 2021, and further to RMB1,157.9 million (US\$167.9 million) in 2022. We have net loss of RMB18.3 million, RMB107.7 million and RMB33.7 million (US\$4.9 million) in 2020, 2021 and 2022, respectively.

Our Online Platform

We hold a nation-wide insurance intermediary license and operate an independent online insurance product and service platform in China. On our platform, we provide insurance clients with a one-stop insurance experience. We distribute through our platform various insurance products underwritten by our insurer partners, some of which are products we designed and developed together with our insurer partners, and we do not assume underwriting risks ourselves. We offer easy interpretation and presentation of insurance policy terms to help insurance clients make informed decisions when purchasing insurance products. We provide services to insurance clients at various stages of the insurance transaction and in-force period to improve client experience and increase client stickiness. On our platform, we connect insurer partners efficiently with a massive base of insurance clients and enhance their insurance sales.

Access to Our Online Platform for Insurance Clients

Insurance clients can access our online platform on internet and mobile internet, including our websites, our mobile app, our WeChat official account and our WeChat mini program.

Our Websites

We primarily operate three websites: www.huize.com, www.qixin18.com and www.xiebao18.com. Our main website is www.huize.com, through which we offer substantially all of our insurance products, manage our insurance clients and insurance policies, and provide client services. Our main website covers every stage of insurance transactions, including product search, policy interpretation, online live consultation, intelligent underwriting, product purchase, policy management and claim settlement.

www.qixin18.com is a platform we developed to connect to and cooperate with our user traffic channels, where we provide them with order placement SaaS system, user account management system, and various mobile-end tools to enhance our user traffic channels' efficiency in directing client traffic. www.xiebao18.com primarily focuses on corporate insurance products and travel insurance products.

[Table of Contents](#)

Mobile Platforms

In response to the prevalence of smartphone usage and smartphone users' growing preference of acquiring information and conducting transactions on mobile devices, we have developed our "Huize Insurance" (慧择保险网) mobile app, and have established our official account and mini program on the WeChat platform.

"Huize Insurance" App

We launched our "Huize Insurance" app in November 2015 and December 2015 compatible to Android and iOS systems, respectively. Our "Huize Insurance" app offers similar functions and features as our main website catering to app users' needs. For example, clients can seek advice from our insurance consultants on various questions such as adequacy of their insurance coverage, terms of specific insurance products, and their eligibility for specific insurance products.

WeChat Official Account and Mini-program

We launched our WeChat official account in March 2014. While our WeChat official account also offers insurance transaction service, it mainly focuses on providing insurance education to potential insurance clients. It provides users with convenient access to our main website and mobile app download page, and posts various surveys and other education content aimed at enhancing user awareness of insurance needs and deepening user understanding of insurance products.

We publish articles and reports through our WeChat official account regularly. The articles and reports cover a wide range of insurance-related topics, including, among others, discovery of suitable insurance products for users and their families, comparisons of insurance products within certain product categories, and recommendations of insurance products offered on our platform.

As WeChat has become a daily communication and information acquisition tool for a massive base of smart phone users in China, we also launched a WeChat mini program in February 2017 to better reach and serve users on our WeChat platform. Our WeChat mini program covers most functions of our mobile app.

While we primarily serve our insurance clients through our online platform, we also provide insurance services to certain of our insurance clients offline.

Our Insurance Clients

We have a large and growing base of insurance clients. We define our insurance clients as purchasers of the insurance policies we distribute, including individual clients, who contribute to most of our revenues, and corporate clients. As of December 31, 2020, 2021 and 2022, the cumulative number of our insurance clients was approximately 6.8 million, 7.5 million and 8.4 million, respectively. As we continue to expand our product offerings, enhance our brand recognition and reputation, and deepen our cooperation with insurer partners and user traffic channels, we expect our client base to continue to grow.

We focus on serving the younger generation who are relatively well-educated, tech-savvy, more willing to learn insurance related knowledge, and tend to enjoy online consumption and investment. In 2022, the average age of those who purchased life and health insurance products through our platform was 33.8.

We aim at serving lifetime insurance needs of our clients and their families. We believe that most insurance clients are attracted by our high-quality product and service offerings after purchasing a first insurance policy on our platform. More importantly, the diversity of insurance products on our platform allows us to serve a variety of insurance clients at different stages of their lives.

Insurance experience offered by traditional industry participants is believed to be time-consuming. We are dedicated to providing best-in-class client experience, which helps transform the industry norm. Our platform provides insurance clients with easy discovery and convenient access to a wide spectrum of insurance products and seamless transaction process. We provide recommendations of products that we believe are suitable for our potential and existing insurance clients based on the information they provide and the data that our platform collects and analyzes. We offer insurance clients a secure environment under a trusted brand, where they can acquire useful insurance knowledge and information on personal and family insurance package planning. The comprehensive suite of client services we provide make the whole insurance experience simple and smooth. The superior client experience we offer enhances client loyalty and encourages repeat purchase.

[Table of Contents](#)

Services to Insurance Clients

(1) Assistance in Finding the Right Product

- *Product information*

We provide product information that is reader-friendly and easy to interpret, including illustrative graphics and case studies for each insurance product offered to facilitate clients' understanding of policy terms. Moreover, if insurance clients still have questions after reading these materials, they can seek advice from our insurance consultation team or reach out to our client service representatives.

- *A broad selection of product offering*

We offer various categories of insurance products on our platform. For each insurance product category, we offer a broad selection of insurance products, giving insurance clients adequate options to choose from. Therefore, we are able to serve insurance clients' protection needs in different scenarios and at different life stages. Our broad product offering also allows us to recommend to clients insurance product portfolios, which are typically more cost-efficient compared with a simple combination of multiple insurance policies.

- *Insurance product recommendation*

For each client, our platform will generate a set of recommendations based on the client's profile, information provided by the client and his/her browsing footprint on our platform, focusing on the client's personal protection needs. Clients have the flexibility to browse through as many products as they wish, but with the significant number of insurance products available, our recommendation service plays a critical role in matching clients with the most suitable insurance products.

- *Consulting service*

We employ insurance consultants with expertise in insurance industry and substantial experience to facilitate clients to make informed decisions when selecting insurance products. Each insurance consultant is required to complete mandatory trainings by experienced managers on subjects, such as insurance products knowledge and communication skills. Our insurance consultants are young professionals who empathically understand and click with our clients. Before selecting a product, clients can make an appointment for consultation on our platform, and our insurance consultants are expected to contact them by phone within one business day. Our insurance consultants are capable of not only answering basic questions on insurance products, but also analyzing clients' risk profile and insurance needs, providing recommendations with respect to insurance products, and assisting clients and their families with insurance planning. After conducting a thorough assessment on the risks insurance clients and their families are exposed to, our insurance consultants recommend insurance products, and in some cases, insurance portfolio that provide comprehensive protection at competitive price, to insurance clients.

We empower our insurance consultants with our self-built digital tools, mainly including a vertical insurance database and client behavior tracking system. The database covers comprehensive information of insurance products available on the market, both online and offline. Insurance consultants can quickly retrieve product information from the database and present to clients comparison among insurance products. Our client behavior tracking system analyzes the clients' browsing records and transaction records from various dimensions, and evaluates clients' insurance needs and purchase preference. This allows our insurance consultants to predict clients' concerns and queries before starting consultation sessions with clients, which substantially improves consulting efficiency. In 2020, we launched the AI Proposal application and a new version of consultant workstation, both of which are client service tools designed and applied in order to improve our service capabilities and the client experience we provide.

[Table of Contents](#)

(2) Providing Superior Transaction Experience

- *Intelligent underwriting*

We have built a proprietary intelligent underwriting system that automates the whole underwriting process with data analytical technology. For each insurance product, we code the underwriting criteria set by the insurer into our intelligent underwriting system, which allows the system to automatically evaluate whether a client is eligible for the product and whether the special terms in the insurance policy are triggered based on a series of set questions. As an insurance intermediary, we do not make underwriting decisions or bear underwriting risks by ourselves. We incur research and development expenses for the development of our intelligent underwriting system, and selling expenses for the labor costs related to our client service team.

The intelligent underwriting system greatly optimizes the insurance experience for the insurance clients, as it reduces the amount of paperwork needed, saves the efforts of talking to a human insurance adviser about the client's medical history, and offers much faster digitalized policy processing. In addition, the codified criteria enables the assessment of a wide variety of pre-existing conditions, resulting in more accurate evaluation of a client's eligibility and reducing the rate of rejection by insurance companies.

- *Claim application and settlement service*

We act as the insurance clients' trusted point of contact when risks covered by insurance policies realize. We assist insurance clients in the claim settlement process, but do not make claim decisions as an insurance intermediary. After receiving a claim settlement application from an insurance client, we review relevant materials provided by the client, assist with preparing necessary documents and information required to support the client's claim, submit the claim with the insurer on the client's behalf, and handle all communications with the insurer. We incur research and development expenses for the development of our claim settlement system, and selling expenses for the labor costs related to our client service team.

Our expertise in the insurance industry equips us with a clear understanding in the claim requirements set by our insurer partners, thus allowing us to effectively help clients prepare all necessary documents. The long-term cooperative relationships we have established with our insurer partners and our rich experience in representing clients' interests allow us to settle claims thoroughly and effectively for as fast as two days. Our insurance clients can track the claim settlement progress through our online platform.

- *Client service*

In addition to the insurance consultants team, we also have a dedicated client service team in charge of addressing basic client queries and providing all-round client services. Our client service team help insurance clients navigate smoothly through the insurance transaction process, assist in claim application and settlement, and respond to client complaints to ensure client satisfaction. We choose our client services representatives from candidates who have good communication skills and high client service ethics, and we provide rigorous training to our new recruits. We conduct ongoing evaluations of our client service representatives and provide periodic training to develop their skills.

Upon receiving a piece of client complaint, our service representative will extract and go through chat records and transaction records of the client, reach out to the client by phone, and resolve the issue. As of December 31, 2022, we had not experienced any material client complaints or claims.

Our Insurer Partners

As of December 31, 2022, we cooperated with 106 insurer partners, including 64 life and health insurance companies, and 42 property & casualty insurance companies. Some of our insurer partners also cooperate with reinsurance companies to underwrite insurance products offered on our platform. Our five largest insurer partners in terms of operating revenue contribution aggregately accounted for 63.0%, 78.4% and 56.5% of our total operating revenue in 2020, 2021 and 2022, respectively.

[Table of Contents](#)

We typically enter into cooperative agreements for an initial term of one to three years with our insurer partners, some of which can be automatically renewed for certain period of time unless prior notice is provided by either party to terminate the agreement. Pursuant to the terms of such cooperative agreements, we market and present the insurance products underwritten by our insurer partners through online channels to potential insurance clients and facilitate the sales of such insurance products. We ensure the smooth operation of our platform. We collect premiums of the insurance products we facilitate and remit the premiums in full to the insurer partners on a monthly basis according to the cooperative agreements. Our insurer partners issue policies and provide settlement, and pay us commission fees based on a percentage of the premiums we facilitate. Both parties should keep all client information and data confidential and conduct their respective business in compliance with applicable laws, regulations and rules. Most insurer partners demand a threshold for the percentage of clients that renew their insurance policies in the 13th month of the insurance term. If we do not meet such threshold, the renewal brokerage commission will be adjusted to zero, or the insurer partners have the right to terminate their authorization for us to sell the relevant insurance products. Generally, in the event either party breaches the terms and provisions under the cooperative agreements, the non-breaching party is entitled to unilaterally terminate the agreement and receive damages for the loss incurred. We are not contractually required to provide additional services, such as intelligent underwriting, in-force policy administration and claim settlement services to the insurance clients we serve. We offer these services in order to enhance clients' transaction experience that facilitates the maintenance and growth of our client base, which in turn strengthens our relationships with insurer partners.

We empower our insurer partners to improve their operational efficiency and acquire massive clients online. In addition, we offer superior, cost-effective client service solutions, enabling insurer partners to receive feedbacks to the insurance products they underwrite and complete digitalized claim settlement in a timely manner. Leveraging our data capabilities, our client segmentation and selection process helps insurer partners effectively grow their client base and manage risks.

We provide a series of services to our insurer partners, including system integration and product design and development services. For each insurer partner, we offer technology support to adapt their system to our platform to ensure a smooth transaction process. An increasing number of insurer partners have integrated with our system, making our system more robust. We also proactively collaborate with those insurer partners that we have established a long and stable relationship with to design and develop insurance products together. For our cooperation in designing and developing insurance products, we present our product design ideas and pricing range suggestions to them after we have built a model and conducted actuarial, while the insurer partner files the product with the China Banking and Insurance Regulatory Commission to ensure regulatory compliance before we launch such product on our platform.

Our Product Offerings

We offer two broad categories of insurance products: life and health insurance products and property & casualty insurance products, both of which contain products we designed and developed together with insurer partners. The insurance products we offer on our online platform are underwritten by our insurer partners. Our platform offered approximately 670 insurance products in 2022, including approximately 356 life and health insurance products, and approximately 314 property & casualty insurance products.

Below table sets forth the categories of insurance products we offered and GWP of each category in 2020, 2021 and 2022:

Type of Insurance Products	Sub-Category	GWP in 2020 (in RMB million)	GWP in 2021 (in RMB million)	GWP in 2022 (in RMB million)
Life and Health Insurance Products	Long-term health insurance products	2,142.9	2,617.1	2,440.9
	Short-term health insurance products	68.1	38.6	108.9
	Life insurance products and annuity insurance products	676.9	2,186.4	2,131.6
Property & casualty insurance products		132.0	176.1	226.5

Life and Health Insurance Products

The life and health insurance products listed on our platform include long-term health insurance products, short-term health insurance products, life insurance products and annuity insurance products. Our dedicated product design team with strong actuarial background design and develop tailor-made life and health insurance products to cater to client's personal protection needs. In 2020, 2021 and 2022, we offered approximately 475, 424 and 356 life and health insurance products respectively. In 2022, the GWP we facilitated from our tailor-made life and health insurance products account for 66.4% of total GWP of our life and health insurance products we facilitated.

[Table of Contents](#)

(1) Long-term Health Insurance Products

The long-term health insurance products on our platform, primarily consisting of critical illness insurance products, typically offer a lump-sum payment to the insured if the insured is diagnosed with one of the conditions or a major life-threatening illness as defined in the insurance policy. The amounts of claims for long-term health insurance products in China are typically specified in the insurance policies, rather than determined based on the actual medical expenses. The long-term health insurance products typically address insurance clients' needs for both medical treatment and after-care services.

Taking advantage of our actuarial capabilities and our expertise in long-term health insurance products, we analyze clients' potential insurance needs and design tailor-made insurance products accordingly. For a given new product idea, we build a model, conduct actuarial analysis, draw a preliminary price range, and proactively reach out to our insurer partners to discuss such product. After the cooperating insurer partner determines the final terms of the product, it files the product with the China Banking and Insurance Regulatory Commission and then launch the product on our platform. The product design and development process typically takes approximately three months. Popular long-term health insurance products we designed and developed in 2022 included Guardian Critical Care No.5 (守卫者5号), a customized multiple-benefit critical illness insurance product, and Darwin Critical Care No. 7 (达尔文7号), the latest critical illness insurance product offering in our Darwin Critical Care series, which offers additional benefits for severe/mild malignant tumors and carcinoma in situ, as well as ICU hospitalization benefits covering major diseases outside the list of severe, moderate and mild illnesses.

(2) Short-term Health Insurance Products

Short-term health insurance products we offer provide illness and disease insurance protections and medical benefits during a period that is usually shorter than one year from the effective date of the policy. Popular health insurance products on our platform in 2022 include Children Outpatient Nuanbaobao Super (少儿门诊暖宝保超能版).

(3) Life Insurance Products

We offer term life insurance products, whole life insurance products and annuity insurance products on our platform. The term life insurance products we offer provide life insurance for the insured for a specified time period or until the attainment of a certain age, in return for the periodic payment of fixed premiums over a pre-determined period, generally ranging from five to 20 years. In 2022, popular term life insurance products on our online platform include Huagui Da Mai 2022(华贵大麦2022定期寿险).

The whole life insurance products we offer provide life insurance for the insured's entire life in exchange for the periodic payment of fixed premiums over a pre-determined period, generally ranging from five to 20 years, or until the insured reaches a certain age. The face amount of the policy is paid upon the death of the insured. In 2022, Whole life insurance products offered on our online platform include Jin Man Yi Zu Premium (金满意足臻享版), an increasingly popular whole life insurance product offering protection and saving functions with a single policy.

(4) Annuity Insurance Products

The annuity insurance products we offer pay annuity to the insured according to the time period as specified in the insurance policy and the amount received during the policy term. In 2022, we launched Jin Zhi Qi Hang (金智启航), a customized annuity product dedicated to meet clients' savings needs for their children's future education.

Property & Casualty Insurance Products

The property & casualty insurance products we distribute include travel insurance products, individual casualty insurance products and corporate liability insurance. In 2020, 2021 and 2022, we offered approximately 1,277,653 and 314 property & casualty insurance products respectively.

[Table of Contents](#)

(1) Travel Insurance Products

We aim to offer innovative and simple solutions for travelers covering every aspect of their travel plans. The travel insurance products we offer cover risks relating to international travel, domestic travel, and outdoor sports.

Most of our travel insurance products are customized scenario-based products. For example, for a tour group with members participating in various types of risky activities, we design different insurance policies depending on the specific activities each group member participates in. Through making the risks covered under each insurance policy specific, we make travel insurance products more cost-effective for insurance clients. In addition, we have the expertise to analyze the risks under each insurance policy, which effectively helps our insurer partners manage claims.

(2) Individual Casualty Insurance Products

The individual casualty insurance products we offer on our platform generally provide a guaranteed benefit in the event of death or disability of the insured as a result of an accident during the coverage period, which is typically less than one year. These products typically require only a single premium payment during the coverage period.

(3) Corporate Insurance Products

In addition to the insurance products for individuals, we also offer commercial property insurance and cargo insurance for corporate insurance clients. We offer various types of corporate liability insurance, including but not limited to public liability insurance, employer liability insurance, and product liability insurance. The cargo insurance products we offer on our platform include, among others, logistics liability insurance, international freight forwarder liability insurance, and international cargo bill of lading liability insurance.

Branding, Marketing and Sales

We have been able to build a large client base through both our direct and indirect branding and marketing initiatives. Our marketing team primarily work on direct branding and marketing initiatives, while our business development team focus on indirect marketing channels, primarily working with existing user traffic channels and explore new ones. Our website, www.qixin18.com, also attracts user traffic channels to cooperate with us, and provide them with technology supports. We co-brand the tailor-made insurance products that we designed and developed together with our insurer partners. For other insurance products, we are not in charge of their branding.

For direct marketing, in recent years, we have continued to enhance our brand and marketing capabilities in conducting product marketing, user education and brand advertising. For product marketing, we prepare accurate, refined product presentation, and promote the products through professional financial media and social media channels as part of our cooperation with our insurer partners. For user education, we publish or provide educational content, such as popularization of insurance products, basic terms of insurance policies, comparisons of insurance products, analysis of common diseases, insurance purchase strategies for different groups of people and guide to after-purchase services, through various entries of our platform. We develop such content in view of the complexity of insurance products, aiming to help clients make purchase decisions. User education strengthens our brand awareness, builds client trust and enhances conversion of user traffic. For brand advertising, we place advertisements both offline and online. We analyze the main characteristics of our target client group, based on which we select the locations of offline advertisements. We also place advertisements on widely used search engines to reach massive viewers. Therefore, we set up voice courses through WeChat community to answer common questions from potential clients, which allows clients to interact with each other and reinforce the insurance educational contents they acquire. For direct marketing, we pay fees based on user traffic attracted to our platform.

For indirect marketing, we work with user traffic channels, mainly including social media influencers who are key opinion leaders that are active on various emerging media channels. The key opinion leaders we work with typically have full time jobs in professional capacities, such as insurance actuaries, doctors and financial advisors, and have their respective followers on popular social media channels. These user traffic channels have influences over their followers, users or customers, who can potentially become our insurance clients. We provide our user traffic channels with informative articles and reports on insurance in general as well as on specific insurance products that they can tailor to better suit the interests and needs of their followers and users, and then post and share through social media channels. If the followers or users become interested in certain insurance products after reading such articles or reports, they can get access to our platform through the links included in the articles or reports. In this way, we raise the insurance awareness of potential insurance clients and attract them to our platform through our user traffic channels. For certain user traffic channels who have access to high-quality user traffic but lack capabilities of client management and insurance knowledge, we equip them with client service team and resources to guarantee superior insurance experience for the clients they draw to our platform. We provide these user traffic channels with insurance related contents for them to post on their platforms. We assign our client service team to help the clients they guide to our platform complete the insurance transactions and enjoy superior insurance experience. Our cooperation with user traffic channels broadens our reach to potential insurance clients, and help the user traffic channels monetize their user traffic.

[Table of Contents](#)

We typically enter into cooperative agreements for an initial term of three years with our user traffic channels, some of which can be renewed for another year with the consent of both parties. Pursuant to the terms of such cooperative agreements, we integrate our user traffic channels' platforms with our online platform to allow users guided from our user traffic channels to purchase insurance policies, make insurance payments and enjoy other client services we provide on our platform. User traffic channels post insurance related contents that have been approved by us, and promote the insurance products we offer on our platform in accordance with applicable laws. We pay our user traffic channels service fees, typically as a certain percentage of the GWP of the transactions completed with clients they attract to our platform. Such service fee rate is set case-by-case based on our negotiation with each user traffic channel, taking into account our relationship with the respective user traffic channel, and its historical and expected contribution to our insurance sales. As we negotiate with each user traffic channel on a case-by-case basis, we are unable to provide a specific range for service fee percentages.

Data and Technology

Technology is the key to our success in improving insurance client experience, enabling active transactions and cooperation and eventually achieving efficiency for our business. Our proprietary technology platform supports our rapidly growing processing capacity requirements, provides us with detailed and accurate information collected through our operation, and enables harnessing of insightful data analytics with big data capabilities. From our client interface to management support systems, our technology platform facilitates smooth execution and seamless data flow.

The seamless collaboration among our technology and operational teams, together with our big data analytics capability, give us a significant edge in operational efficiency. Our proprietary algorithms are embedded in all critical operational areas, including but not limited to insurance product recommendation, intelligent underwriting, pricing range suggestion and claim settlement services. Our engineers have thorough understanding of the computational needs from different business segments, and are therefore capable of providing technological support to address diversified needs in operating our business.

Data Analytics

Users of our online platform provide us with information when they register on our platform, browse information, place orders for insurance products and use various services and functions of our platform. Our data storage and distribution system stores and processes a massive amount of multi-dimensional user data, including two categories of data—risk-based pricing information and client intelligence data. Risk-based pricing information includes underwriting requirements from insurer partners, rejection data and claim data. Client intelligence data includes client health data, risk exposure information of individual clients and their families and clients' product preferences.

Our data platform can extract multi-dimensional features from multi-source data in a highly efficient and secure way to support data mining. Our data technology supports our analysis of client behavior, personal and family insurance needs, and their feedbacks to the products and services we provide, which is the basis of our client value exploring initiatives and various client service tools. Based on our analysis, we label complex insurance policy terms and restrictive factors to establish an insurance product atlas, which helps us efficiently analyze insurance products, improve internal training and enhance operational efficiency. Meanwhile, the insurance product atlas we establish enhanced our product design and pricing capabilities, which in turn reinforce our products and services offerings and proper recommendations to clients.

[Table of Contents](#)

We have accumulated a large amount of data, and established two data pools: client demand data pool and insurance product data pool. Our client demand data pool helps us understand clients' protection demand in every step of their life cycles, and our insurance product data pool consisting of various detailed product features helps us better understand the competitive landscape and business trend of the supply side of China's online insurance market. The two data pools have equipped us with significant strength in product design. For example, in 2016, we captured the market needs of protection for high-risk outdoor activities through analyzing our data pools, and launched a popular high risk outdoor activities accident insurance product in China. Moreover, we collaborated with outdoor ecosystem participants such as rescue services providers to meet the specific demands of insurance clients. This product soon proved to be a huge success.

Technology Infrastructure

We have built a reliable and smart infrastructure with sufficient redundant topologies to ensure high availability and a low risk of downtime. We have also built a scalable cloud infrastructure to minimize cost and sustain performance in periods of high network traffic. We have strategically selected our data center locations in China.

Our technology infrastructure provides 24-7 service that supports second-level horizontal expansion and vertical cross-physical scalability, and holds considerable advantages in compression capacity and traffic distribution solutions. Our technology infrastructure delivers the stability needed to support the high volume of insurance transactions conducted on our platform and data volume, the scalability to support increased volumes over time and the flexibility to quickly launch new insurance product. Empowered by our extensive and carefully designed technology infrastructure, we are capable of serving a growing number of insurance clients efficiently and effectively. We keep updating our technology infrastructure to achieve more cost-efficiency and higher stabilization.

Our Technology Development Team

Our technology development personnel have extensive experience with leading internet and mobile commerce technology companies, and focus on the following that support our long-term business growth:

- maintaining and strengthening all of our platform and application system;
- ensuring our technology system is well established, reviewed, tested and continuously strengthened; and
- actively participating in the industry seminars, exploring relevant cutting-edge technologies.

Intellectual Property

We regard our trademarks, domain names, copyrights, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on a combination of trademark and trade secret law as well as confidentiality, invention assignment and non-compete agreements with our employees and other business partners to protect our proprietary rights.

As of December 31, 2022, we held three patents and 28 on-going patent registrations in China. We had registered 569 trademarks with the Trademark Office of the State Administration for Market Regulation in China, including our company's Chinese name "Huize (慧择)," 13 trademarks in Hong Kong and three trademarks in the United States. We had registered 105 computer software copyrights registered with the PRC National Copyright Administration. We had 62 registered domain names, including our main website. In addition to the foregoing protections, we generally limit access to and use of our proprietary and other confidential information through the use of internal and external controls.

Risk Management and Internal Control

We have adopted various policies and procedures to ensure rigorous risk management and internal control, and we are dedicated to continually improving these policies and procedures. We have invested significant resources in our technology system and personnel to support risk management and regulatory compliance, and we have built a robust technology system for the integration with our insurance partners' systems and the daily functioning of our internal risk management processes. In addition, we have hired professional personnel for accurate underwriting, especially in complicated cases where our intelligent underwriting system cannot derive a conclusion. Our risk management and internal control policies and procedures cover various aspects of our business operations such as fraud prevention, intelligent underwriting, and claim management.

[Table of Contents](#)***Company-wide Internal Control******Internal Control***

We have a dedicated compliance working group consisting of compliance personnel from various business departments. Our legal and compliance department is responsible for formulating our overall internal control and compliance policies, ensuring their implementation and promoting a corporate culture of staying compliant with regulatory requirements. The compliance working group works with our legal department in conducting self-inspection and internal control over various business departments.

In terms of policy development, we have developed and adopted various internal control policies covering almost all aspects of our business, complaint handling, anti-money laundering, anti-bribery and intellectual property protection. We regularly conduct self-inspection on our business in response to newly promulgated regulatory requirements, and proactively adjust our business operations as needed. We also actively participate in forums or other forms of activities organized by regulatory authorities to closely follow regulatory changes.

Regulatory Compliance

We have designed and adopted strict internal procedures to ensure compliance to our business operations with all relevant laws and regulations and have established a code of conduct to regulate employees' behavior and activities. In addition, we continually review the implementation of our risk-management policies and measures to ensure our policies and implementation are effective and sufficient.

We work closely with relevant government agencies that have jurisdiction over our business. We maintain frequent communications with government agencies before implementing new business initiatives or when regulatory uncertainties arise as new laws or regulations are promulgated. We actively provide our inputs on proposed regulations that are subject to public comments. We are often invited to comment on proposed regulations by relevant government authorities during the comment solicitation process.

Data Privacy and Safety

We have implemented procedures and guidelines to regulate us and our employees' actions in relation to user data in order to protect user privacy and data security. We also have adopted an access control mechanism to ensure implementation of least privilege and need-to-know principles and to protect user privacy while meeting business requirements. The client information we provide to our insurer partners are on a need-to-know basis, and are redacted and encrypted. In addition, we employ technical solutions to prevent and detect risks and vulnerabilities in user privacy and data security, such as encryption, firewall, vulnerability scanning and log audit. We store and transmit user data in encrypted format on separate servers. We do not share any input data from our users or any user insight data with third parties or allow third parties to access user data stored on our servers without proper authorization from users, and we also utilize firewalls to protect against potential cyber-attacks or unauthorized access. We periodically audit our systems and procedures to detect information security risks and privacy risks.

Insurance Product-oriented Risk Management***Fraud Prevention***

Our fraud prevention system uses a multi-faceted detection process to identify both individual and collusive frauds. We use our existing fraud databases, including credit blacklists we maintain, as well as continuously update our fraud database with new information from similar insurance clients to improve the effectiveness of our fraud detection.

We have established an internal risk alert system and constantly monitor the insurance status of our insurance clients, including their transaction frequency and distribution, insurance amount and premium. The various dimension real-time monitoring ensures that we can take appropriate and timely steps when risks arise. Our client database is updated from time to time based on our continuing evaluation.

[Table of Contents](#)

Through analyzing clients' behavioral data and transaction data, we developed our anti-fraud blacklist database to enhance our risk management capabilities. We also work with third-party data providers to identify high-risk users during the client consultation phase and conduct pre-transaction interception. We believe our robust fraud prevention system gives us an edge over our competitors, which encourages our insurer partners to maintain their long-term cooperative relationship with us and offer insurance products on our platform at competitive prices.

Intelligent Underwriting

We continually improve the algorithm we use for our intelligent underwriting system, and provide regular training to our client service representatives who are in charge of answering underwriting related queries from our insurance clients to ensure that our intelligent underwriting system, while saving the time and trouble of human underwriting, effectively screens eligibility of insurance clients for each insurance product. Our intelligent underwriting system improves efficiency and offers rigorous risk management to our insurer partners. Our system coded the underwriting criteria set by each insurer partners we cooperate with, which makes it comprehensive in making assessment. It is reinforced by cumulative underwriting and claim data and could also be customized for newly designed insurance products.

Claim Management

Through providing services to facilitate claim settlement for our insurance clients, we have collected a large volume of relevant data. By utilizing this data, we continually optimize our risk management models and further enhance our claim management capabilities.

Competition

The online insurance product and service industry in China is intensely competitive. Our current or potential competitors include (i) other online independent insurance product and service platforms, (ii) traditional insurance intermediaries, (iii) online direct sales channels of large insurance companies, (iv) major internet companies that have commenced insurance distribution businesses, and (v) other online insurance technology players. We compete primarily on the basis of:

- our unparalleled operating history and large insurance client base;
- our expertise in understanding young generation's demand for long-term life and health insurance products and our capability of selecting and mobilizing suitable products to meet their fast-changing demands;
- our capability of designing and developing tailor-made insurance products;
- our robust client acquisition channels and efficient client conversion capabilities;
- our ability to provide best-in-class insurance client service and experience online; and
- our well-established business relationship with insurer partners continuously reinforced by our exceptional risk management capabilities.

Insurance

We maintain certain insurance policies to safeguard us against risks and unexpected events, including insurance broker/agent practice liability insurance. We provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees in compliance with applicable PRC laws. We do not maintain business interruption insurance. We consider our insurance coverage to be sufficient for our business operations in China.

[Table of Contents](#)

Legal Proceedings

We are currently not involved in any material legal or administrative proceedings. From time to time, we may be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Such legal or administrative claims and proceedings, even if without merit, could result in the expenditure of financial and management resources and potentially result in civil liability for damages.

Regulation

Regulations on Foreign Investment

The Foreign Investment Law of the PRC, or the Foreign Investment Law, was formally adopted by the 2nd session of the thirteenth National People's Congress on March 15, 2019, and became effective on January 1, 2020. The Foreign Investment Law is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The negative list management system means that the state implements special administrative procedures for access of foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields.

Foreign investors' investment, earnings and other legitimate rights and interests within the territory of China shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises. The state guarantees that foreign-invested enterprises participate in the formulation of standards in an equal manner. The state guarantees that foreign-invested enterprises participate in government procurement activities through fair competition in accordance with the law. The State shall not expropriate any foreign investment except under special circumstances. In special circumstances, the state may levy or expropriate the investment of foreign investors in accordance with the law for the needs of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures and timely and reasonable compensation shall be given. In carrying out business activities, foreign-invested enterprises shall comply with relevant provisions on labor protection, social insurance, tax, accounting, foreign exchange and other matters stipulated in laws and regulations.

From January 1, 2020, the Wholly Foreign-Owned Enterprises Law of the PRC, together with the Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures and the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures shall be abolished. The organization form, organization and activities of foreign-invested enterprises shall be governed by the laws of the Company Law of the People's Republic of China and the Partnership Enterprise Law of the People's Republic of China. Foreign-invested enterprises established before the implementation of the Foreign Investment Law may retain the original business organization and so on within five years after the implementation of the Foreign Investment Law.

On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law, which came into effect on January 1, 2020, and it further requires that foreign-invested enterprises and domestic enterprises shall be treated equally with respect to policy making and implementation. Pursuant to the Implementation Regulations on the Foreign Investment Law, if the existing foreign-invested enterprises fail to change their original forms as of January 1, 2025, the relevant market regulation departments will not process other registration matters for the enterprises, and may disclose their relevant information to the public.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation jointly issued the Measures for Reporting of Foreign Investment Information, or the Foreign Investment Information Measures, which came into effect on January 1, 2020, and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in the PRC, foreign investors or foreign-invested enterprises shall submit investment information through the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the State Administration for Market Regulation. Foreign investors or foreign-invested enterprises shall disclose their investment information by submitting reports for their establishments, modifications and cancellations and their annual reports in accordance with the Foreign Investment Information Measures. If a foreign-invested enterprise investing in the PRC has finished submitting its reports for its establishment, modifications and cancellation and its annual reports, the relevant information will be shared by the competent market regulation department to the competent commercial department, and does not require such foreign-invested enterprise to submit the reports separately.

[Table of Contents](#)

On December 19, 2020, the NDRC and the MOFCOM promulgated the Measures for Security Review of Foreign Investment, with an effective date of January 18, 2021. The Foreign Investment Security Review Mechanism (the “Security Review Mechanism”) in charge of organization, coordination and guidance of foreign investment security review is thereunder established. A working mechanism office shall be established under NDRC, and be jointly led by NDRC and MOFCOM to undertake routine work on the security review of foreign investment. According to the Security Review Mechanism, foreign investment activities that fall within the ambit of the new Measures or obtain actual control over the target enterprises covered by the new Measures shall take the initiative to make a declaration to the working mechanism office prior to making any investments. Such activities include important cultural products and services, important information technologies and internet products and services, important financial services, key technologies and other important fields that concern national security.

Foreign Investment Industrial Policy

Investments in the PRC by foreign investors are regulated by the Catalog for the Guidance of Foreign Investment Industries, or the Catalogue. On February 11, 2002, the State Council promulgated the Provisions for Guiding the Foreign Investments Direction. Pursuant to the Provisions for Guiding the Foreign Investments Direction, foreign investment projects are categorized as encouraged, permitted, restricted and prohibited. Foreign Investment Projects that are categorized as encouraged, restricted, and prohibited are listed under the Catalogue, the Foreign Investment Projects that are not categorized as encouraged, restricted, or prohibited are permitted Foreign Investment Projects. Permitted Foreign Investment Projects are not listed under the Industry Catalog for Guiding Foreign Investment.

On December 27, 2021, the NDRC and the MOFCOM jointly promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition), or the 2021 Negative List, which took effect on January 1, 2022. According to the 2021 Negative List, internet information services fall within the scope of value-added telecommunications services (except for e-commerce, domestic multi-party communication, storage and forwarding classes and call centers), which are under the “restricted” category.

According to the Announcement of the China Insurance Regulatory Commission on Permitting the Establishment of Wholly Foreign-invested Insurance Brokerage Companies by Foreign Insurance Brokerage Companies, which was promulgated by China Insurance Regulatory Commission (currently known as the China Banking and Insurance Regulatory Commission), or the CBIRC, on December 11, 2006, and became effective on the same day, in five years following China’s accession into the WTO, the establishment of WFOE to engage in insurance brokerage services shall be permitted. There shall be no other restrictions except those on the establishment conditions and business scopes. In addition, Circular of the China Banking and Insurance Regulatory Commission on Lifting Limits on the Business Scope of Foreign-invested Insurance Brokerage Companies, which was promulgated by China Banking and Insurance Regulatory Commission, or the CBIRC, on April 27, 2018, and became effective on the same day, stipulates that foreign-invested insurance brokerage companies that have obtained a License for Operating Insurance Brokerage Services, or an Insurance Brokerage License, upon approval by the relevant insurance regulatory authority may conduct the following insurance brokerage business within the territory of the PRC: (i) design insurance policy plans, select insurers and handle insurance formalities for policy holders; (ii) assist the insured or beneficiaries with insurance claims; (iii) reinsurance brokerage business; (iv) provide principals with services on disaster prevention, loss prevention, risk assessment and risk management consulting; and (v) other business approved by the CBIRC.

In addition, on December 3, 2021, the CBIRC promulgated the Notice of the Relevant Measures for Clarifying the Opening up of the Insurance Intermediary Market, or the Notice, for the purposes of opening up the insurance industry and promoting a sound and orderly development of the insurance industry. The Notice provides that (i) foreign insurance brokerage companies with solid business operations overseas, if complying with relevant regulations of the CBIRC, are allowed to establish insurance brokerage companies in China to engage in insurance brokerage business; (ii) specialized insurance intermediaries, including insurance agencies, insurance brokerage companies, and insurance adjustment assessment institutions established in China by foreign insurance corporate groups and foreign-funded insurance corporate groups, are allowed to engage in relevant insurance intermediary business; and (iii) before engaging in relevant insurance intermediary business, foreign-invested specialized insurance intermediaries shall, as applicable, fulfill their obligations to file with or obtain approvals, licenses or permits from relevant authorities, and the relevant provisions of CBIRC on specialized insurance intermediaries shall apply to the business scope and market access standards.

[Table of Contents](#)
Regulations on Insurance Intermediary Business
Regulatory Authority

The CBIRC has extensive authority to supervise and regulate the insurance industry in China. In line with the Reform Program of the State Council, released by National People's Congress in March 2023, the National Financial Regulatory Administration, or the NFRA, will be responsible for regulating the financial industry, excluding the securities industry. It will strengthen institutional regulation, behavioral regulation, functional regulation, penetrative regulation, and continuous regulation, and will be responsible for coordinating the protection of financial consumer rights. It aims to enhance risk management and prevention and disposal, investigates and punishes illegal and irregular behavior in accordance with the law, and serves as a directly affiliated agency of the State Council.

The CBIRC will be incorporated into the NFRA, and the daily regulatory responsibilities of the People's Bank of China for financial holding companies and other financial groups, as well as the responsibilities for consumer protection in the financial sector, and the investor protection responsibilities of the CSRC are also transferred to the NFRA.

The CBIRC will no longer be retained. The CBIRC was established by a merger of China Banking Regulatory Commission, or the CBRC and the CIRC. The CBIRC is directly subordinate to the State Council, and with the State Council's authorization, the CBIRC functions as a centralized institution with administrative oversight and competence over China's banking and insurance industries in line with PRC laws and regulations. The CBIRC and its detached offices constitute the regulatory system for insurance industry. Before that, the CIRC had functioned as the regulatory body for insurance industry, and its major regulatory duties on the insurance industry include and are not limited to:

- drafting laws and regulations for the supervision and regulation of the insurance industry and formulating industry rules and regulations of the insurance industry;
- approving the establishment of representative offices by overseas insurance institutions;
- approving the establishment of insurance intermediaries such as insurance agencies, insurance brokerage companies, insurance loss adjusting companies and their respective branches;
- approving the establishment of overseas insurance institutions by domestic insurance and non-insurance institutions;
- approving mergers, splits, changes of corporate forms and dissolutions of insurance institutions and making decisions on the receivership and the appointment of receivers;
- examining and confirming the senior managers' qualifications of various insurance institutions;
- setting the basic qualification standards for insurance practitioners;
- approving the terms and premium rates of insurance products related to public interests, statutory mandatory insurance and newly developed life and health insurance products;
- implementing record-filing management on the insurance terms and premium rates of such insurance products;
- conducting business supervision on public-policy-oriented insurance and statutory insurance;

[Table of Contents](#)

- supervising their organizational forms and operations such as captive insurance and mutual insurance;
- investigating into and imposing penalties on illegal acts and misconducts of insurance institutions and practitioners;
- supervising overseas insurance institutions established by domestic insurance and non-insurance institutions;
- establishing the standards for information systems of the insurance industry;
- establishing insurance risk-assessment, risk-warning and risk-monitoring systems; and
- tracking, analyzing, monitoring and forecasting the operating conditions of the insurance market.

Regulatory and Legal Framework

The legal framework for monitoring and administering insuring activities within the territory of the PRC is underpinned by laws and regulations including the Insurance Law of the PRC, or the PRC Insurance Law, and administrative regulations, departmental provisions and other regulatory documents stipulated in accordance with the PRC Insurance Law.

The PRC Insurance Law, effective in 1995 and last amended in 2015, is the most important law in the regulatory and legal framework for the PRC insurance industry. The PRC Insurance Law provides that an insurance broker is an entity that, in the interest of the applicant, provides intermediary services between the applicant and the insurer for the conclusion of an insurance contract and receives a commission in accordance with relevant laws. An insurance agent shall be an institution or an individual which charge commissions from insurers and operate insurance business on behalf of insurers to the extent authorized by insurers. Insurance agencies include specialized insurance agencies which only operate the insurance agency business and concurrent-business insurance agency insurance agencies which concurrently operate the insurance agency business and other businesses. An insurance broker or insurance agency shall obtain an Insurance Brokerage License and an Insurance Agency License before it engages in insurance brokerage business or insurance agency business, respectively.

Since the promulgation and implementation of the PRC Insurance Law in 1995, the insurance supervision and regulatory authority has promulgated a series of departmental rules and regulations and other regulatory documents pursuant to the PRC Insurance Law, covering almost all aspects of insurance operations. Regarding the establishment of insurance brokers, there are other important laws and regulations besides the PRC Insurance Law, including the Regulatory Provisions on Insurance Brokerages, or the Insurance Brokerages Provisions, which became effective on May 1, 2018. Insurance Brokerages Provisions specify provisions regarding market access, operation rules, exit from market, industry self-discipline, monitoring and inspection and legal obligations for insurance brokers. Regarding the insurance agency business, besides the PRC Insurance Law, insurance agents shall comply with the Regulatory Provisions on Insurance Agents, or the Insurance Agents Provisions, promulgated on November 12, 2020, and became effective on January 1, 2021, which specify provisions regarding market access, office qualifications, practitioners, operation rules, exit from market, market exit, and legal liabilities for insurance agents. Regarding the insurance adjustment assessment business, the Regulatory Provisions on Insurance Adjusters, or the Insurance Adjusters Provisions, which was promulgated on February 1, 2018, and became effective on May 1, 2018, provides provisions on operating conditions, operation rules, market exit, industrial self-regulation and legal liabilities for insurance adjusters.

The Administrative Measures for the Licenses of Banking and Insurance Institutions, which was issued by the CBIRC on April 28, 2021, and took effect from July 1, 2021, stipulate that banking and insurance institutions, including insurance brokerage companies, concurrent-business insurance agencies and other insurance intermediaries, shall, when conducting financial business, legally obtain a business license issued by the administration for market regulation.

On October 28, 2021, the CBIRC promulgated the Measures for the Implementation of Administrative License and Recordation for Insurance Intermediaries which became effective on February 1, 2022. The CBIRC and its local offices shall, in accordance with the provisions of these Measures, implement administrative license and recordation of insurance intermediary business and senior executives.

[Table of Contents](#)
Establishment and Revocation
Establishment of Insurance Brokers and Acquisition of Qualification for Operating Insurance Brokerage Business

Pursuant to the PRC Insurance Law and the Insurance Brokerages Provisions, to operate insurance brokerage business within the territory of the PRC, an insurance brokerage company shall satisfy the requirements stipulated by the CIRC (the predecessor of the CBIRC) and obtain a license to operate insurance brokerage business. The minimum registered capital of an insurance brokerage company that conducts business in regions not limited to the provincial level is RMB50 million. The minimum registered capital of an insurance brokerage company that conducts business within the provincial level is RMB10 million. The registered capital of an insurance brokerage company must be fully paid in cash.

An insurance broker applying for operating insurance brokerage business shall, after obtaining the business license, submit without delay the application materials as required by the CBIRC and disclose the relevant information. The CBIRC and its local branches shall grant administrative licenses in accordance with their statutory responsibilities and procedures. If the CBIRC and its local branches permit an applicant to operate the insurance brokerage business in accordance with the law, they shall issue licenses to the applicant. An applicant may not carry out the insurance brokerage business until it obtains the license, and it shall register the relevant information in a regulatory information system as prescribed by the CBIRC in time. In addition, an insurance broker shall have its own business premise and set up a designated account book to record the income and expenditure of the insurance brokerage business. An insurance broker shall open an independent designated account for client funds. The following funds shall only be deposited in the designated account for client funds: (i) insurance premiums paid by policyholders to an insurance company; and (ii) surrender value and pay-outs collected on behalf of policyholders, insured parties and beneficiaries. An insurance broker shall open an independent account for commissions it collects.

To operate insurance brokerage business, an insurance brokerage company shall satisfy the following conditions: (i) its shareholders meet the requirements stipulated in the Insurance Brokerages Provisions, and make capital contribution with their self-owned, true and lawful funds instead of bank loans or non-self-owned funds in various forms; (ii) its registered capital meets the requirements of Article 10 of the Insurance Brokerages Provisions and the registered capital shall be entrusted in accordance with the relevant provisions of the CIRC; (iii) its business scope recorded in the business license is in compliance with the relevant provisions of the CIRC; (iv) its articles of association are in conformity with the relevant provisions; (v) its company name is in conformity with the Insurance Brokerages Provisions; (vi) its senior managers meet the qualification requirements stipulated in the Insurance Brokerages Provisions; (vii) it has established a governance structure and internal control system as stipulated by the CIRC, and a scientifically and reasonably feasible business mode; (viii) it has a fixed premise in line with its business scale; (ix) it has a business and financial information management system as stipulated by the CIRC; and (x) other conditions specified by laws and administrative regulations or prescribed the CIRC.

According to Measures for the Implementation of Administrative License and Recordation for Insurance Intermediaries, the CBIRC or its local office shall issue a license to an applicant if the CBIRC or its local office makes a decision to grant approval. If a decision of disapproval is made, the reasons shall be explained. A company that survives shall modify its registration of the name, business scope, bylaws and other items according to the law, to ensure that there is no "insurance brokerage" in its name.

Establishment of Insurance Agents and Acquisition of Qualification for Operating Insurance Agency Business

Pursuant to the PRC Insurance Law and the Insurance Agents Provisions, to operate insurance agency business within the territory of the PRC, a specialized insurance agency company shall satisfy the requirements stipulated by the CBIRC and obtain an Insurance Agency License. The minimum registered capital of a specialized insurance agency company that conducts business in regions not limited to the provincial level is RMB50 million. The minimum registered capital of a specialized insurance agency that conducts business within the provincial level is RMB20 million. The registered capital of full-time insurance agency must be paid in cash.

A specialized insurance agency company applying for operating insurance agency business shall, after obtaining the business license, submit without delay the application materials as required by the CBIRC and disclose the relevant information. The CBIRC and its local branches shall grant the Insurance Agency License in accordance with their statutory responsibilities and procedures. If the CBIRC and its local branches permit such applicant to operate the insurance agency business in accordance with the law, they shall issue licenses to the applicant. An applicant may not carry out the insurance agency business until it obtains the Insurance Agency License, and it shall register the relevant information in a regulatory information system as prescribed by the CBIRC in time. In addition, an insurance agency company shall have its own business premise and set up a designated account book to record the income and expenditure of the insurance agency business. An insurance agency company shall open an independent designated account for client funds.

[Table of Contents](#)

To operate insurance full-time agency business, a specialized insurance agency company shall satisfy the following conditions: (i) its shareholders meet the requirements stipulated in the Insurance Agents Provisions, and make capital contribution with their self-owned, true and lawful funds instead of bank loans or non-self-owned funds in various forms; (ii) its registered capital meets the requirements of Article 10 of the Insurance Agents Provisions and the registered capital shall be entrusted in accordance with the relevant provisions of the CBIRC; (iii) its business scope recorded in the business license is in compliance with the relevant provisions of the CBIRC; (iv) its articles of association are in conformity with the relevant provisions; (v) its company name is in conformity with the Insurance Agents Provisions; (vi) its senior managers meet the qualification requirements stipulated in the Insurance Agents Provisions; (vii) it has established a governance structure and internal control system as stipulated by the CBIRC, and a scientifically and reasonably feasible business mode; (viii) it has a fixed premise in line with its business scale; (ix) it has a business and financial information management system as stipulated by the CBIRC; and (x) other conditions specified by laws and administrative regulations or prescribed the CBIRC.

According to Measures for the Implementation of Administrative License and Recordation for Insurance Intermediaries, the CBIRC or its local office shall issue a license to an applicant if the CBIRC or its local office makes a decision to grant approval. If a decision of disapproval is made, the reasons shall be explained. A company that survives shall modify its registration of the name, business scope, bylaws and other items according to the law, to ensure that there is no “insurance agency” in its name.

Establishment of Insurance Adjusters and Acquisition of Qualification for Operating Insurance Adjustment Assessment Business

Pursuant to the Insurance Adjusters Provisions, to operate insurance adjustment assessment business within the territory of the PRC, insurance adjusters shall satisfy the requirements as prescribed in the Asset Appraisal Law, meet the conditions as prescribed by the CBIRC, and undergo the business recordation formalities with the CBIRC and its local offices.

An insurance adjustment assessment institution to engage in insurance adjustment assessment business, shall, within 30 days from the date of obtaining the business license, undergo the recordation formalities with the CBIRC and its local office through the regulatory information system prescribed by the CBIRC and concurrently submit paper materials as required. To operate insurance adjustment assessment business, an insurance adjustment assessment company shall satisfy the following conditions: (i) its shareholders meet the requirements stipulated in the Insurance Adjusters Provisions and make capital contribution with their self-owned, true and lawful funds instead of bank loans or non-self-owned funds in various forms; (ii) according to the business development plan, it has the working capital required for routine business operation and assumption of risks. A national institution shall have working capital of RMB2 million and a regional institution shall have working capital of RMB1 million; (iii) the custody of its working capital complies with the relevant provisions issued by the CBIRC; (iv) the business scope recorded in the business license does not exceed the scope as prescribed in Article 43 of the Insurance Adjusters Provisions; (v) its articles of association or partnership agreements comply with the relevant provisions. (vi) its company name is in conformity with the Insurance Adjusters Provisions; (vii) its board chairman, executive director and senior managers meet the qualification requirements stipulated in the Insurance Adjusters Provisions; (viii) it has established a governance structure and internal control system as stipulated by the CBIRC, and a scientifically and reasonably feasible business mode; (ix) it has a fixed premise in line with its business scale; (x) it has a business and financial information management system as stipulated by the CBIRC; and (xi) other conditions specified by laws and administrative regulations or prescribed the CBIRC.

[Table of Contents](#)

Revocation of Insurance Brokerage Companies

Pursuant to the Insurance Brokerages Provisions, an insurance brokerage company shall exit the insurance brokerage market according to the laws, administrative regulations and other relevant provisions. Where any insurance brokerage company falls under any of the following circumstances, the local branches of the CBIRC shall cancel its license according to the law and announce the cancellation: (i) its license fails to be extended upon expiration; (ii) its license is annulled, revoked or canceled in accordance with the law; (iii) it is terminated in accordance with the law due to dissolution, declaration of bankruptcy or other reasons; or (iv) other circumstances stipulated by laws and administrative regulations. An insurance brokerage company, the license of which has been canceled, shall return the original license in time; if the license cannot be returned, the local branches of the CBIRC shall state as such in the announcement. An insurance brokerage company, the license of which has been canceled, shall terminate its insurance brokerage business, and, within fifteen days from the date of license cancellation, make a written report to the industrial and commercial administrative department where its industrial and commercial registration was made. Where the company continues to exist, it shall not engage in insurance brokerage business and shall go through the formalities of business registration for changes in matters such as name, business scope and articles of association in accordance with the law, and ensure that its name does not include the term “insurance brokerage.”

If any branch of an insurance brokerage company is in a disorderly operation and management and is engaged in major unlawful or illegal activities, the insurance brokerage company shall, in accordance with the regulatory requirements of the CBIRC and its local branches, take such measures against the branch as rectification within a specified period, business suspension and cancellation.

Where a licensee obtains an Insurance Brokerage License or other administrative licenses through improper means such as deception or bribery, such license shall be revoked by the CBIRC and its local branches, and the licensee shall be given administrative punishments according to the law; the applicant may not apply for the administrative license again within three years.

Revocation of Insurance Agency Companies

Pursuant to the Insurance Agents Provisions, an insurance agency company shall exit the insurance agency market according to the laws, administrative regulations and other relevant regulatory rules. Where an insurance agency company falls under any of the following circumstances, the local branches of the CBIRC shall revoke its license according to the law and announce such decision: (i) its license is annulled, revoked or canceled in accordance with the law; (ii) it is terminated in accordance with the law due to dissolution, declaration of bankruptcy or other reasons; or (iii) other circumstances stipulated by laws and administrative regulations. An insurance agency company, the license of which has been canceled, shall return the original license in time; if the license cannot be returned, the local branches of the CBIRC shall state as such in the announcement. An insurance agency company, the license of which has been canceled, shall terminate its insurance agency business. Where the specialized insurance agency company continues to exist, it shall not engage in insurance agency business and shall go through the formalities of business registration for changes in matters such as name, business scope and articles of association in accordance with the law, and ensure that its name does not include the term “insurance agency.” Where the permit of a concurrent-business insurance agency is revoked by the insurance regulatory authorities pursuant to the law, it shall not reapply for permit within three years; where the permit is canceled pursuant to the law due to any other reason, it shall not reapply for permit within one year. Where a licensee obtains an Insurance Agency License or other administrative licenses through improper means such as deception or bribery, such license shall be revoked by the CBIRC and its local branches, and the licensee shall be given administrative punishments according to the law; the applicant may not apply for the administrative license again within three years.

Revocation of Insurance Adjustment Assessment Companies

Pursuant to the Insurance Adjusters Provisions, under any of the following circumstances, an insurance adjuster shall, within five days, cancel the practicing registration of an insurance adjuster: (i) an insurance adjuster is subject to administrative punishment of suspension of practice; (ii) an insurance adjuster terminates practice for other reasons; (iii) an insurance adjuster stops engaging in the insurance adjustment assessment business for close-down, dissolution or other reasons; (iv) other circumstances as prescribed by laws, administrative regulations, and the provisions issued by the CBIRC.

Where a branch of an insurance adjustment assessment institution has chaos in business operation and management and has any major violation of laws and regulations, the insurance adjuster shall, in accordance with the regulatory requirements of the CBIRC and its local office, take measures such as making rectification within a prescribed time limit, suspending business and cancellation against the branch.

[Table of Contents](#)

Internal Governance

Corporate Governance in Insurance Intermediary Companies

Pursuant to the Insurance Brokerages Provisions, the Insurance Agents Provisions, the Insurance Adjusters Provisions, an insurance broker shall, an insurance agency or an insurance adjuster, in accordance with the laws, administrative regulations and the relevant CBIRC provisions, establish sound corporate governance structure and systems under the principles of clear responsibilities, strengthened checks and balances and risk management. Moreover, it shall make clear the management and control responsibilities, build a compliance system, focus on self-discipline and strengthen internal accountability to ensure sound operation.

Informatization

The CBIRC released the Measures for the Regulation of Informatization of Insurance Intermediaries on January 5, 2021, which came into effect on February 1, 2021, to regulate informatization work by strengthening the regulation of insurance intermediaries, improving operating and management level of insurance intermediaries, and promoting the high-quality development of the insurance intermediary industry.

Insurance intermediary institutions shall, in accordance with regulatory requirements, report regulatory matters and submit regulatory data to the CBIRC and its local counterparts in a timely manner through the relevant information system of insurance intermediary supervision. In addition, Insurance intermediaries shall, including without limitation (i) reasonably determine the security level of information systems in accordance with the relevant national cyber security level protection regulations, perform protections in accordance with the national cyber security level protection related standards, and obtain the corresponding national cyber security level protection certification; (ii) take protective measures for important data to ensure the safety of data in the process of collection, storage, transmission, use, provision, backup, restoration, and destruction, use data legally while strictly preventing data leakage, tampering and damage, and ensure data integrity, confidentiality and availability; (iii) follow the principles of lawfulness, fairness and necessity, comply with relevant national laws and administrative regulations, and comply with national standards related to personal information security when collecting, processing and applying data containing personal information; and (iv) carry out informatization training, information security training and confidentiality education regularly, sign information security and confidentiality agreements with employees, and urge employees to perform information security and confidentiality duties corresponding to their jobs.

Deposit and Professional Liability Insurance

Pursuant to relevant provisions of the PRC Insurance Law, an insurance broker and an insurance agency shall, in accordance with the provisions stipulated by the insurance supervision and control authority under the State Council, make contributions to security deposit or apply for professional liability insurance.

Once the professional liability insurance is procured, an insurance broker and a specialized insurance agency shall ensure that the insurance remains valid. The maximum compensation for each accident under the professional liability insurance procured by an insurance broker or a specialized insurance agency shall be no less than RMB1 million. One-year accumulated maximum compensation shall be no less than RMB10 million and no less than the insurance broker's or the specialized insurance agency's income from primary business in the previous year. A concurrent-business insurance agency shall purchase professional liability insurance or make contributions to security deposit in accordance with the rules of the CBIRC.

If an insurance brokerage company and a specialized insurance agency company intends to pay deposit, the deposit shall be paid at 5% of its registered capital; if the insurance brokerage company and the specialized insurance agency company increase the registered capital, the amount of the deposit shall be increased proportionately. An insurance brokerage company and a specialized insurance agency company shall pay the deposit in full. The deposit shall be stored in a designated account in the form of bank deposit to a commercial bank or in any other form approved by the CBIRC.

Under any of the following circumstances, an insurance brokerage company and a specialized insurance agency company may use the deposit: (i) decrease of the registered capital; (ii) cancellation of the license; (iii) taking out of professional liability insurance in conformity with the conditions; or (iv) other circumstances provided for by the CBIRC.

[Table of Contents](#)

According to the Insurance Adjusters Provisions, an insurance adjuster shall, within twenty days from the date when the recordation is announced and based on business needs, establish an occupational risk fund, or purchase the professional liability insurance, and improve the risk prevention procedures.

An insurance adjuster that establishes an occupational risk fund shall pay 5% of its main business income in the last year into the fund, and accordingly increase the amount of the occupational risk fund, if the annual main business income is increased; and it is not required to increase the occupational risk fund, if the deposit amount of the occupational risk fund reaches RMB1 million. An insurance adjuster that purchases professional liability insurance shall ensure the continuous validity of the insurance. The limit of liability for each accident under the professional liability insurance purchased by an insurance adjuster shall not be less than RMB1 million, and the cumulative one-year limit of liability shall not be less than RMB10 million and not be less than main business income of the insurance adjuster in the last year.

Anti-money Laundering

Pursuant to the Notice of Strengthening Anti-money Laundering in Insurance Industry promulgated by the CIRC on August 10, 2010, and Administrative Measures for Anti-money Laundering Agenda in Insurance Industry promulgated on September 13, 2011, by the CIRC and became effective on October 1, 2011, the CBIRC shall organize, coordinate and direct anti-money laundering effort in insurance industry.

According to the provisions of the Administrative Measures for Anti-money Laundering Agenda in Insurance Industry, insurance brokerage companies shall, in the light of the real-name system for policies and according to the work principles that client materials are complete, transaction records are available for inspection and circulation of funds is regulated, effectively enhance the internal control level of anti-money laundering. Insurance brokerage companies shall establish an internal control system for anti-money laundering and prohibit funds which have an illegal source from investing into their equity. The senior management officers of insurance brokerage companies shall understand laws and regulations on anti-money laundering.

Pursuant to the Notice of Strengthening Anti-money Laundering in Insurance Industry, equity investments in insurance intermediaries and equity structure changes therein should be in line with relevant requirements on fund sources in anti-money laundering laws and regulations of the PRC.

Newly established insurance intermediaries and branch institutions and those restructured or reformed should meet anti-money laundering criteria specified by the CIRC, including (i) establishment of system for client identity recognition, client identity and transaction record keeping, training and education, auditing, confidentiality, internal control system and operation protocols including those facilitating monitoring and inspection and administrative investigation; (ii) dedicated anti-money laundering posts and job descriptions, manning and training for such posts; (iii) other requirements according to regulatory provisions.

Business Scope of Insurance Intermediaries

According to the Insurance Brokerages Provisions, an insurance broker when engaging in insurance brokerage business, may not exceed the business scope and business area of the underwriter. An insurance broker may operate all or part of the following businesses: (i) draft insurance plans for policyholders, select insurance companies and process insurance application formalities; (ii) assist insured parties or beneficiaries in making claims; (iii) carry out reinsurance brokerage businesses; (iv) provide disaster prevention or loss prevention or risk evaluation and risk management advisory services to entrusting parties; and/or (v) any other insurance brokerage-related businesses stipulated by the CBIRC. Where the CBIRC otherwise provides for any insurance brokerage business involving coinsurance or underwriting insurance at another locality and master policy, such provisions shall prevail.

An insurance broker and its practitioners may not sell non-insurance financial products, except for non-insurance financial products approved by the relevant financial regulatory authorities. Before selling non-insurance financial products, an insurance broker and its practitioners shall have the necessary qualifications.

[Table of Contents](#)

According to the Insurance Agents Provisions, a specialized insurance agency when engaging in insurance agency business, may not exceed the business scope and business area of the underwriter. A specialized insurance agency may operate all or part of the following businesses: (i) sell insurance products as an agent; (ii) collect insurance fees as an agent; (iii) conduct loss investigation and claims settlement concerning insurance business; (iv) any other insurance agency-related businesses stipulated by the CBIRC. An insurance agency shall not engage in insurance agency business beyond the business scope and operating regions of the insurance company on behalf of which it provides agency services, except insurance agency business involving co-insurance outside its business territory, insurance underwritten outside its business territory, or master policies as otherwise prescribed by the CBIRC.

According to the Insurance Adjusters Provision, an insurance adjuster when engaging in insurance adjustment assessment business, may not exceed the business scope and business area of the underwriter. An insurance adjuster may operate all or part of the following businesses: (i) the pre-underwriting and post-underwriting inspection, valuation, and risk assessment of the subject matters of insurance; (ii) the post-claim survey, inspection, loss assessment, and claim settlement in respect of the subject matters of insurance as well as the disposition of their residual value; (iii) risk management consulting; (iv) other business as prescribed by the CBIRC.

Services and Products Provided by Insurance Intermediaries and Their Practitioners

Pursuant to the Basic Service Standards for Insurance Brokers promulgated by the CIRC on January 16, 2013, the service steps and content of insurance brokers for insurance clients (consumers) include but not limited to the establishment of insurance brokerage relationship, risk assessment, preparation of insurance purchase plan, selection of insurance companies for the clients, procedures for taking out insurance policies, services during the insurance period, assistance in claims and complaint settlement.

Aiming to maximize benefits for clients in providing services, insurance brokers shall comply with laws, administrative regulations and the relevant provisions of the CIRC, act in good faith with professional competency and due diligence, fully perform the notification obligations, disclose all the relevant information and protect the privacy and business secrets of clients. Employees in such industry shall fulfill the legitimate qualification conditions with good occupational ethics and strong practice capability. An insurance broker shall: (i) notify and disclose all the necessary details in establishing insurance brokerage service relationship with clients; (ii) be professional in risk assessment for clients with due care; (iii) prepare complete and proper insurance purchase plan for clients; (iv) put client interests first in choosing insurance companies; (v) be meticulous and proper in going through insurance purchase formalities for clients; (vi) provide considerate and complete services during insurance period; (vii) be fast and dutiful in assisting clients' claims (while only licensed insurance companies should have the right to decide on claim settlement); and (viii) deal with complaints in an effective and timely manner.

Pursuant to the Basic Service Standards for Insurance Agencies promulgated by the CIRC on January 16, 2013, the service steps and content of insurance agencies for insurance clients (consumers) include but not limited to sufficient communications with customers to understand their insurance needs, recommendation of insurance products, assistance to customers in their handling of insurance application formalities, offering of preservation service, assistance to customers in their claims, handling of complaints and so forth. An insurance agency shall: (i) make full notification and disclosure when contacting a customer for the first time; provide pre-sale service in a thoughtful and responsible manner; (ii) provide in-sale service in a comprehensive and meticulous manner; (iii) provide after-sale service in a diligent and efficient manner; (iv) assist a customer in claiming for indemnity in an appropriate and timely manner; (v) handle complaints in a timely and effective manner.

According to the Basic Service Standards for Insurance Assessment Agencies promulgated by the CIRC on January 16, 2013, the steps and contents of insurance assessment services offered by insurance assessment agencies to customers shall include, but not limited to, acceptance of entrustment to establish insurance assessment service relationship, risk assessment for the entrusting parties, survey on the subject matter after the accident, determination of responsibilities and losses, handling of insurance consumers' complaints and so forth. Insurance assessment agencies shall: (i) make full notification and disclosure when deciding to establish an insurance assessment service relationship; (ii) conduct risk assessment in a professional and prudent manner; (iii) conduct survey in a detailed and timely manner; (iv) determine liabilities and assess losses in a conscientious and impartial manner, and conduct complete communication; (v) handle complaints in a timely and effective manner.

[Table of Contents](#)

According to the Insurance Brokerages Provisions and the Insurance Agents Provisions, an insurance broker, an insurance agent, and their practitioners may not have the following acts in handling insurance business: (i) cheating the insurer, the applicant, the insured or the beneficiary; (ii) concealing any important circumstances relating to the insurance contract; (iii) obstructing the applicant to fulfill the obligation of telling the truth, or inducing the applicant not to fulfill the same; (iv) granting or promising to grant to the applicant, the insured or the beneficiary any interest other than that stipulated in the insurance contract; (v) compelling, inducing the applicant to enter or restricting from entry into an insurance contract by using its administrative power, position or the advantage of their profession and other improper means; (vi) forging or altering the insurance contract without authorization or providing false evidence for parties to the insurance contract; (vii) misappropriating, retaining or embezzling the premiums or insurance benefits; (viii) making use of the advantages of the business to obtain improper benefits for other institutions or individuals; (ix) defrauding insurance benefits in collusion with the applicant, the insured or the beneficiary; or (x) disclosing trade secrets of the insurer, the applicant and the insured known during the business activities. An insurance broker, an insurance agent and their practitioners shall not solicit or accept any remuneration or other property other than those as agreed in contract and granted by any insurance company or its staff or take advantage of executing the insurance brokerage business to obtain other illegal benefits in the course of carrying out the insurance brokerage/agency business.

In addition, an insurance broker shall prepare standardized information booklets for customers in the course of conducting businesses. The information booklet for customers shall include the following matters: (i) name, business premises, scope of business and contact details of the insurance broker; (ii) the method for obtaining of remuneration by the insurance broker, including information on whether the insurance broker collects commission from the insurance company etc.; (iii) whether the insurance broker and its senior management personnel are a related party of an insurance company or any other insurance intermediary which relate to its brokerage businesses; and (iv) complaint channel and dispute resolution method. Unless as otherwise prescribed by the CBIRC, an insurance agency shall, during the process of engaging in business, develop and produce the client notification. A client notification shall, at a minimum, include the following: (i) name, business premise, scope of business and contact methods of the insurance agency and the insurance company; (ii) whether there is any affiliation relationship between the senior executives of a full-time insurance agency and the insurance company for which agency services are provided or another insurance intermediary institution; and (iii) complaint channel and dispute resolution method.

According to the Insurance Adjusters Provisions, an insurance adjuster may not have the following acts in handling insurance adjustment assessment business: (i) seeking illicit benefits by taking advantage of its business; (ii) permitting another institution to carry out business in its name, or carrying out business by illegally using the name of another institution; (iii) soliciting business by illicit means such as maliciously beating down prices, offering kickbacks, conducting false publicity or disparaging or defaming any other adjustment institution; (iv) accepting any business to which it is an interested party; (v) accepting the authorization of both parties to the conflict of interest respectively and conducting appraisal of the same appraisal object; (vi) issuing any false adjustment report or any adjustment report with material omission; (vii) retaining or designating a person who does not comply with the provisions to carry out adjustment business; and (viii) committing any other violation of law or administrative regulation. In addition, an insurance adjuster shall develop a standard client notification letter and present it to clients when carrying out business. A client notification letter shall, at a minimum, include the name, recordation information, business premises, scope of business, contact information, complaint channels, dispute settlement methods and other basic matters of the insurance adjuster.

According to the Administrative Measures on Insurance Clauses and Premium Rates of Life Insurers, last amended on October 19, 2015, by the CBIRC, the insurance clauses and premium rates of the following insurance types of an insurer shall be submitted to CBIRC for examination and approval prior to their launch: (i) insurance concerning public interests; (ii) insurance compulsorily enforced according to law; (iii) life insurance newly developed as required by CBIRC; and (iv) other insurance specified by the CBIRC. Types of insurance other than those listed above shall be submitted to CBIRC for record.

According to the Administrative Measures on the Insurance Clauses and Premium Rates of Property Insurance Companies, which was promulgated on February 5, 2010, by the CIRC, and became effective from April 1, 2010, and was amended on August 16, 2021, with an effective date of October 1, 2021, the insurance clauses and premium rates for types of property insurances that concern public interests or that are of a compulsory nature shall be reported by the insurance company to the CBIRC for approval in accordance with the provisions of such Measures. The insurance clauses and premium rates for other types of property insurances shall be reported by insurance companies to CBIRC or its local offices at the provincial level for record-filing.

[Table of Contents](#)

Pursuant to the Circular on Matters Concerning Improving the Valuation Interest Rates Formation Mechanism for Liability Reserves for the Life Insurance Sector and Adjusting the Valuation Interest Rates for Liability Reserves, promulgated by the CBIRC on August 30, 2019, and took effect on the same day, the upper limit of valuation interest rates for ordinary life insurance policies issued on and after August 5, 2013, shall be the less of: (i) the annual compound interest rate of 3.5%, and (ii) the assumed interest rate, and the valuation interest rates for ordinary life insurance policies issued before August 5, 2013, will continue to follow what is specified in the original provisions.

On August 7, 2006, the CIRC promulgated the Health Insurance Management Measures, which was amended on October 31, 2019, with an effective date of December 1, 2019, pursuant to which "health insurance" refers to insurance whereby an insurance company pays insurance in the event of any insurance events due to health or medical treatment of the insured, mainly including medical insurance, sickness insurance, disability income insurance, care insurance, medical accident insurance, etc. Health insurance companies, life insurance companies and pension insurance companies established according to the relevant laws may, upon approval by the CBIRC, engage in the business of health insurance. Insurance companies other than the aforementioned may, upon approval by the CBIRC, engage in the business of short-term health insurance. In addition, an insurance company is entitled to stipulate rate adjustment for long-term medical insurance products in the insurance policies, and is required to clearly indicate the trigger conditions for the rate adjustment.

In November 2020, the Circular on Matters concerning the Use of the Illness Definitions for Critical Illness Insurance and the Definition of Illness under Critical Illness Insurance was promulgated, reclassifying the definition of illness under critical illness insurance and expanding the scope of certain diseases.

On January 19, 2021, the CBIRC issued the Circular regarding Life Insurance Supervision Department of the CBIRC's Issuance of the Negative List of Personal Insurance Products (2021 Edition), in which the CBIRC set forth criteria that personal insurance products provided by life insurance companies.

On October 12, 2021, the CBIRC issued the Notice on Further Regulating Matters Concerning Internet Personal Insurance Business, pursuant to which internet personal insurance products include accident insurance, health insurance (except nursing insurance), term life insurance, ordinary life insurance with a policy period of more than ten years (except term life insurance) and ordinary annuity insurance with a policy period of more than ten years, and other personal insurance products stipulated by the CBIRC. Pursuant to the notice, internet personal insurance products that do not meet the requirements thereof are prohibited from being offered online, and public display of, or direction to, hyperlinks to the webpages of placing orders on the internet of such internet personal insurance products are prohibited as well. Insurance intermediaries that conduct internet personal insurance business shall strengthen the system development and have operations and service capabilities that meet the requirements set forth in this Notice. The notice also provides that customer service personnel of insurance intermediaries are not allowed to actively conduct marketing activities with regard to internet personal insurance products, and their compensation shall not be linked to the sales results of internet personal insurance products.

The CBIRC issued the Administrative Measures for the Disclosure of Information on Personal Insurance Products on November 11, 2022, and subsequently issued the Notice on Promulgation of the Information Disclosure Rules for Personal Insurance Products with a Term of More Than One Year on December 30, 2022, which will both take effect on June 30, 2023, comprehensively regulating the sales practices of personal insurance products and further enhancing the transparency of personal insurance products.

Qualification Management for Directors, Supervisors and Senior Management Personnel

According to the Insurance Brokerages Provisions and the Insurance Agents Provisions, senior officers of an insurance broker and a specialized insurance agency refer to the following persons: (i) the general manager and deputy general manager of an insurance brokerage company and a specialized insurance agency; (ii) the principals of provincial branch offices; and (iii) other personnel who exercises important authority over the operation and management of the company. Senior officers of an insurance broker and a specialized insurance agency shall obtain the employment qualification approved by the local branches of CBIRC prior to assumption of duty.

[Table of Contents](#)

The senior officers of an insurance broker and a specialized insurance agency shall meet the following conditions: (i) having college degree or above; (ii) having been engaged in finance-related work for more than three years or having been engaged in economics-related work for more than five years; (iii) having the operation and management ability necessary for performing duties, and being familiar with insurance laws, administrative regulations and the relevant CBIRC provisions; and (iv) being honest and trustworthy and of good character. Persons who have been engaged in finance-related work for more than ten years are not subject to clause (i) above. Principals of branches other than the provincial branch offices to be employed by an insurance broker or a specialized insurance agency shall satisfy the conditions listed above.

Pursuant to the Insurance Brokerages Provisions, any person who falls under any of the following circumstances may not serve as senior officers of an insurance broker and principals of branches other than provincial branch offices: (i) serving as a director, supervisor or senior officer of an insurance company or insurance intermediary whose license has been revoked for not more than three years from the revocation date due to violations of law, and being individually liable or being responsible for leadership for the license revocation; (ii) being a director, supervisor or senior officer of a financial institution whose qualification has been canceled for not more than five years from the date of disqualification due to illegal activities or discipline misconduct; (iii) being prohibited from entering the financial industry for a certain period of time by any financial regulator and the said period is not yet ended; (iv) having been warned or fined by any financial regulator for not more than two years from the date of such warning or fine; (v) being investigated by any judiciary, discipline inspection and supervision departments or financial regulators; (vi) being subject to joint punishments by the relevant state entities and shall be punished in the field of insurance due to serious dishonesty, or being involved in other serious dishonesty records within the recent five years; or (vii) other circumstances specified by laws and administrative regulations and by the CBIRC.

Without the approval of the shareholders' meeting or the general meeting of shareholders, no senior officers of an insurance broker or principals of branches other than provincial branch offices may work at the same time at any institution with conflict of interest.

Pursuant to the Insurance Agents Provisions, any person who falls under any of the following circumstances shall not be appointed as a senior officer of a specialized insurance agency or the principal of a branch other than the provincial branch company: (i) having no capacity for civil conduct or limited capacity for civil conduct; (ii) having been sentenced to any criminal penalty due to corruption, bribery, encroachment of property, misappropriation of property or disrupting the socialist market order and it is less than five years since the completion of the execution of the penalty; or having been deprived of political rights due to any crime and it is less than five years since the completion of the execution of the penalty; (iii) serving as a director, factory director or manager of a bankrupt and liquidated company or enterprise and being personally responsible for the bankruptcy of such company or enterprise, where not more than three years have elapsed since the completion of the bankruptcy and liquidation; (iv) having served as the legal representative of a company or enterprise whose business license has been revoked or which has been ordered to close down due to a violation of law and being personally liable, and it is less than three years since the date of revocation of the business license; (v) having served as the director, supervisor or senior officer of an insurance company or insurance intermediary whose permit is revoked as a result of violation of laws and being personally liable or having direct leadership liability for the revocation of the permit, and it is less than three years since the date of revocation of the permit; (vi) having served as a director, supervisor or senior officer of a financial institution whose appointment qualifications have been revoked by the financial regulatory authorities due to illegal or disciplinary offense and it is less than five years since the date of revocation of appointment qualifications; (vii) having been barred from the financial industry by the financial regulatory authorities for a certain period of time and such period has not expired yet; (viii) having been warned or fined less than two years by the financial regulatory authorities; (ix) having been investigated by the judicial authorities, disciplinary inspection authorities or financial regulatory authorities; (x) having failed to repay a relatively large amount of personal debt due; (xi) having been identified by the relevant State agencies as a subject of joint punishment for dishonesty and shall be punished in the insurance sector due to a serious dishonest conduct, or having other bad records of serious dishonest conduct within the past five years; or (xii) any other circumstances stipulated by laws, administrative regulations and the provisions of the CBIRC.

[Table of Contents](#)

According to the Insurance Adjusters Provisions, senior officers of an insurance adjuster refer to the following persons: (i) the general manager and deputy general manager of an insurance adjustment assessment company; (ii) the executive partner of an insurance adjustment assessment partnership; (iii) the primary person in charge of a branch; and (iv) executives who have the same function and power as the aforesaid personnel.

The board chairman or executive director or senior executive of an insurance adjuster shall meet the following conditions: (i) he or she has an educational background of junior college or above; (ii) having been engaged in financial work or asset appraisal work for more than three years or having been engaged in economic work for more than five years; (iii) having the management capability required for performing the duties and familiar with insurance laws and administrative regulations and the relevant provisions issued by the CBIRC; and (iv) being honest and trustworthy and of good character. Persons who have been engaged in financial or asset appraisal work for more than ten years are not subject to clause (i) above.

Qualification Management for Insurance Brokerage Practitioners

Certain provisions of the PRC Insurance Law were revised at the 14th session of the 12th SCNPC on April 24, 2015. The examination and approval of the qualification of insurance brokerage practitioners have been canceled.

Pursuant to the CIRC Notice on Relevant Issues Pertaining to Administration of Practitioners with Insurance Intermediaries, which was promulgated and became effective on August 3, 2015, before an insurance intermediary practitioner begins to practice, his/her company shall handle the practicing registration in the insurance intermediary regulatory information system of the CBIRC for him/her, and the qualification certificate shall not be served as necessary condition for administration of practicing registration.

In 2019, the CBIRC has deployed and carried out the practice registration and audit work for the practitioners of insurance professional intermediaries. In order to improve the management of employees of insurance professional intermediaries. On May 12, 2020, the CBIRC enacted Notice of the General Office of the CBIRC on Strengthening the Management of Employees of Insurance Professional Intermediaries, which requires the insurance professional intermediaries to meet the following conditions: (i) fully assuming the responsibility of the management; (ii) strengthening the overall management of employees; (iii) strictly controlling the recruitment, training and integrity management of employees; and (iv) establishing a grading system of sales ability of employees. The CBIRC shall also strictly supervise the management of employees of insurance professional intermediaries and make insurance professional intermediaries accountable.

Reward and Incentive

Pursuant to the Notice on Strictly Regulating Incentive Measures of Insurance Intermediaries promulgated on November 15, 2010, by the CIRC, professional insurance intermediaries may only implement equity incentive measures for sales personnel of more than two consecutive years of practice experience within such intermediaries, and may not arbitrarily expand the scope of equity incentives for rapid business growth. In implementing incentives, professional insurance intermediaries may not conduct deceptive or misleading promotion for the incentive program, including exaggeration or arbitrarily promising uncertain earning from future listing; may not induce sales personnel to purchase self-insurance or purchase insurance with borrowings for incentives; may not offer client equity in name of incentive as consideration for illicit interests.

According to the Circular on Further Regulating the Incentive Plans of Professional Insurance Intermediary Institutions, promulgated on February 28, 2012, by the CIRC, all professional insurance intermediary institutions shall not, by way of connecting the equity incentive plan with their listing and exaggerating proceeds brought by their listing and other means, induce any of the general public to become a salesperson, or induce salespersons or clients to buy insurance products which are inconsistent with their actual insurance needs.

[Table of Contents](#)

Regulations on Mobile Internet

Internet Business

Pursuant to the Administrative Measures for Internet Information Service released by the State Council on September 25, 2000, and amended on January 8, 2011, and the Administration Measures for Not-for-profit online Information Service Registration released on February 8, 2005, by the Ministry of Information Industry (currently known as the Ministry of Industry and Information Technology), and effective from March 20, 2005, Internet information service is classified into for-profit and not-for-profit categories. For-profit Internet information service refers to service activities of compensated provision to online users through the internet of information or website production. Not-for-profit Internet information service refers to service activities of non-compensated provision to online subscribers through the internet of information that is in the public domain and openly accessible. The national government has installed permit system for for-profit Internet information service and filing system for not-for-profit Internet information service. Not-for-profit Internet information service within the territory of the PRC should file for registration with telecommunication administration authority of the province in which it is located. Not-for-profit Internet information service provider should log onto the registration management system of the Ministry of Information Industry at designated time each year to go through the annual verification procedures.

Online Insurance Business

In December 2020, Regulatory Measures for Online Insurance Business, or the Measures, was promulgated by the CBIRC, which sets the standards of services, business, operations and sale of online insurance.

Pursuant to the Measures, insurance institutions that conduct internet insurance services shall, among other requirements: (i) locate the online insurance service access in the People's Republic of China; (ii) set up the information management system and core business system to support the operation of online insurance business; (iii) establish solid network security monitoring, notification, emergency disposal, and network security protection methods; (iv) file the network security classification; (v) have IT systems equipped with insurance sales or insurance application functions that are certified as Safety Level III Computer Information Systems; (vi) establish legal and compliant marketing model and service system; (vi) establish online insurance business management department with corresponding professional staffs; and (vii) use professional insurance intermediaries that are national institutions. The Measures requires online insurance transactions to be conducted through online surfaces operated by insurance institutions only. An insurance institution that conducts online insurance business shall (i) build an official website, specifying specific information in a prominent position on its self-operated online platform for online insurance business operation, creating pages for transactions and displaying the details of internet insurance products according to the Measures and other relevant rules; (ii) sell internet insurance products or provide insurance brokerage and insurance loss adjustment services via its own self-operated online platform or via self-operated online platforms of other insurance institutions, and the insurance application page shall belong to its self-operated online platform. In addition, no insurance institution may, in internet insurance sales or brokerage activities, pay commission or labor remuneration directly or in a disguised way to any person who has not yet carried out practice registration with the institution.

Specifically, non-insurance institutions are allowed to conduct online insurance business, including but not limited to: (i) providing insurance product consulting services; (ii) comparing insurance products, (iii) conducting trial calculation of premium or quotation comparison; (iv) designing insurance application plans for policyholders; (v) going through insurance application procedures; and (v) collecting premiums.

Traceability Management of Internet Insurance Sales Behavior

In order to standardize and strengthen the traceability management of Internet insurance sales, protect consumers' basic rights and promote healthy development of online insurance business, the CBIRC promulgated the Notice of the CBIRC on Regulating the Traceability Management of Internet Insurance Sales on June 22, 2020, which came into effect on October 1, 2020.

According to the Notice of the CBIRC on Regulating the Traceability Management of Internet Insurance Sales, insurance institutions are only allowed to sell commercial insurance products on their own online platform, and they shall implement retrospective management of Internet insurance sales. Insurance institutions shall record and keep operation track of each applicant and insured on the sales page. The operation track shall include the time whenever an applicant or insured click on, enter, fill in, or leave the sales page as well as any other relevant contents. Insurance institutions that are still unqualified after such Notice comes into force shall immediately suspend the relevant online insurance sales business.

[Table of Contents](#)***Third Party Information Protection***

Protection Provisions on the Technical Measures for the Protection of the Security of the Internet promulgated by the Ministry of Public Security effective on March 1, 2006, provide initial requirements on supervising the security of Internet information. The providers of the Internet services and entity users of the network shall establish a corresponding management system. The information as registered by users shall not be publicized or divulged without the approval of the users, unless it is otherwise specified by any law or administrative regulation. The providers of the Internet services and entity users of the network shall adopt technical measures for the protection of the Internet security according to law and shall not take technical measures to injure the users' freedom and confidentiality of communication under the pretext of protecting the security of the Internet.

Decision on Strengthening Information Protection on Networks promulgated by the SCNPC on December 28, 2012, and effective on the same day provides basic principles for protecting electronic information by which individual citizens can be identified and which involves the individual privacy of citizens.

Provisions on Protecting the Personal Information of Telecommunications and Internet Users promulgated by the Ministry of Industry and Information Technology, or the MIIT on July 16, 2013, and effective on September 1, 2013, further improve the personal information protection system of telecommunications and Internet industries and specify the scope and obligation subjects of personal information protection of telecommunications and Internet users, rules on collection and use of users' personal information by telecommunications service operators and providers of Internet information services and agent management and information security guarantee measures. The providers of the Internet services and entity users of the network shall establish a corresponding administration system. The information as registered by users shall not be publicized or divulged without the approval of the users, unless as otherwise compelled by any law or administrative regulation.

According to the Network Security Law of the PRC promulgated by the SCNPC on November 7, 2016, and effective on June 1, 2017, network service providers, in their business operation and provision of services, must observe laws and regulations and perform the obligation of ensuring network security, effectively respond to cybersecurity incidents, prevent illegal activities, and maintain the integrity, confidentiality and availability of network data.

Pursuant to the Notice of CBIRC on Regulating the Traceability Management of Internet Insurance Sales, when insurance institutions carry out Internet insurance sales activities that can be traced back, they shall collect and use consumer information following the principle of legality, and shall not collect unrelated information. In addition, pursuant to the Notice, insurance institutions conduct online insurance business along with self-operated online platforms shall establish refined cybersecurity monitoring, information notification, emergency disposal working mechanisms as well as other protective means such as refined perimeter protection, intrusion detection, data protection and disaster recovery. The data and information for underwriting used by insurance institutions shall be legally sourced and used.

According to the Notice on Further Regulating Matters Concerning Internet Personal Insurance Business issued by the CBIRC on October 12, 2021, insurance companies carrying out Internet personal insurance business shall establish and improve the business retracing mechanism. Insurance companies shall retrace online personal insurance business as required, pay close attention to key indicators such as loss ratio, incidence ratio, expense ratio, surrender ratio, and rate of return on investment, retrace the deviation between actual operating conditions and actuarial assumption, and take the initiative to adopt measures such as paying attention, adjustment and improvement, proactive reporting and information disclosure. The chief actuary of an insurance company shall be the person who is directly responsible for the retracing work of the Internet personal insurance business, and organize and implement the retracing work as required, to ensure that the data used are comprehensive and authentic, the calculation methods conform to the actuarial principle, and the rectification measures are timely and effective.

According to the Insurance Brokerages Provisions, an insurance broker and its practitioners shall not disclose trade secrets of the insurer, the applicant and the insured known during the business activities.

On December 26, 2022, the CBIRC promulgated the Administrative Measures for the Protection of Consumers' Rights and Interests by banking and Insurance Institutions which became effective on March 1, 2023, standardizing the operational behavior of banking and insurance institutions and emphasizing the establishment of a long-term mechanism. From the perspective of behavior norms, the Measures comprehensively cover the eight basic rights of consumers. Banking and insurance institutions shall include the protection of consumers' rights and interests in their strategies on corporate governance, corporate culture development and business development, establish and improve systems and mechanisms for the protection of consumers' rights and interests, and implement the requirements for the protection of consumers' rights and interests throughout all links of business process. Moreover, banking and insurance institutions shall establish and improve their working mechanisms for complaint handling, their internal assessment mechanism and a normalized and standardized internal audit mechanism for the protection of consumers' rights and interests.

[Table of Contents](#)***Regulations on Mobile Internet Applications Information Services***

According to the Administrative Provisions on Mobile Internet Applications Information Services, which were promulgated by the Cyberspace Administration of China on June 28, 2016, became effective on August 1, and amended on June 14, 2022, with an effective date of August 1, 2022. App providers shall strictly fulfill their responsibilities of information security management, and perform the following duties: (i) conduct real identity information authentication based on mobile phone numbers, identity document numbers or unified social credit codes for users who apply for registration; (ii) be responsible for the results of the presentation of information content, shall not produce or disseminate illegal information, and shall consciously prevent and resist harmful information; (iii) not induce users to download Apps by means of false advertisement, bundled downloads, or other acts, or via machine or manual click farming and comment control, or by using illegal and harmful information; (iv) immediately take remedial measures, promptly notify users and report the same to the relevant competent authorities in accordance with regulations when an APP has risks such as security defects and vulnerabilities; (v) perform the obligation of ensuring data security, establish a sound whole-process data security management system, take technical measures to ensure data security and other security measures, strengthen risk monitoring, and shall not endanger national security or public interests, or damage the legitimate rights and interests of others when carrying out APP data processing activities; and (vi) formulate and disclose management rules, and sign service agreements with registered users to clarify the relevant rights and obligations of both parties.

Regulations on Information Security

The National People's Congress has enacted legislation that prohibits use of the internet that breaches the public security, disseminates socially destabilizing content or leaks state secrets. Breach of public security includes breach of national security and infringement on legal rights and interests of the state, society or citizens. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC national defense, state affairs and other matters as determined by the PRC authorities.

Pursuant to applicable regulations, ICP operators must complete mandatory security filing procedures and regularly update information security and monitoring systems for their websites with local public security authorities, and must also report any public dissemination of prohibited content.

In December 2015, the Standing Committee of the National People's Congress promulgated the Anti-Terrorism Law of the PRC, or the Anti-Terrorism Law, which took effect on January 1, 2016, and was amended on April 27, 2018. According to the Anti-Terrorism Law, telecommunication service operators or internet service providers shall (i) carry out pertinent anti-terrorism publicity and education to society; (ii) provide technical interfaces, decryption and other technical support and assistance for the competent departments to prevent and investigate terrorist activities; (iii) implement network security and information monitoring systems as well as safety and technical prevention measures to avoid the dissemination of terrorism information, delete the terrorism information, immediately halt its dissemination, keep relevant records and report to the competent departments once the terrorism information is discovered; and (iv) examine customer identities before providing services. Any violation of the Anti-Terrorism Law may result in severe penalties, including substantial fines.

In November 2016, the Standing Committee of the National People's Congress promulgated the Cyber Security Law of the PRC, or the Cyber Security Law, which took effect on June 1, 2017. In accordance with the Cyber Security Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard network security in conducting business and providing services. Network service providers must take technical and other necessary measures as required by laws, regulations and mandatory requirements to safeguard the operation of networks, respond to network security effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

[Table of Contents](#)

For the further purposes of regulating data processing activities, safeguarding data security, promoting data development and utilization, protecting the lawful rights and interests of individuals and organizations, and maintaining national sovereignty, security, and development interests, on June 10, 2021, Standing Committee of the PRC National People's Congress published the Data Security Law of the People's Republic of China, which took effect on September 1, 2021. The Data Security Law requires data processing, which includes the collection, storage, use, processing, transmission, provision, publication of data, to be conducted in a legitimate and proper manner. The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data activities. The Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it may cause to national security, public interests, or legitimate rights and interests of individuals or organizations if such data are tampered with, destroyed, leaked, illegally acquired or illegally used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data is required to designate the personnel and the management body responsible for data security, carry out risk assessments of its data processing activities and file the risk assessment reports with the competent authorities. State core data, *i.e.*, data having a bearing on national security, the lifelines of national economy, people's key livelihood and major public interests, shall be subject to stricter management system. Moreover, the Data Security Law provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information. In addition, the Data Security Law also provides that any organization or individual within the territory of the PRC shall not provide any foreign judicial body and law enforcement body with any data without the approval of the competent PRC governmental authorities. As the Data Security Law was recently promulgated and has not yet taken effect, we may be required to make further adjustments to our business practices to comply with this law, as well as any adjustments that may be required by the ultimate Personal Information Protection Law.

On July 6, 2021, certain PRC regulatory authorities issued Opinions on Strictly Cracking Down on Illegal Securities Activities, which, among others, provides for improving relevant laws and regulations on data security, cross-border data transmission, and confidential information management. It provided that efforts will be made to revise the regulations on strengthening the confidentiality and file management relating to the offering and listing of securities overseas, to implement the responsibility on information security of overseas listed companies, and to strengthen the standardized management of cross-border information provision mechanisms and procedures.

On December 28, 2021, the Cyberspace Administration of China, or the CAC, and 12 other governmental authorities jointly issued the Measures for Cybersecurity Review, or the Measures, which became effective on February 15, 2022. The relevant operators shall apply with the Cybersecurity Review Office of CAC for a cybersecurity review under the following circumstances: (i) internet platform operators holding over one million individuals' personal information pursuing a foreign listing, (ii) operators of "critical information infrastructure" that intend to purchase internet products and services that will or may affect national security, and (iii) internet platform operators carrying out data processing that affect or may affect national security. Besides, the Measures also provides that if the relevant authorities consider that certain network products and services, data processing activities and listings in foreign countries affect or may affect national security, the authorities may initiate a cybersecurity review even if the operators do not have an obligation to report for a cybersecurity review under such circumstances. The Measures also elaborated the factors to be considered when assessing the national security risks of the relevant activities, including among others, risks of core data, important data or a large amount of personal information being stolen, leaked, destroyed, and illegally used or exited the country and risks of critical information infrastructure, core data, important data or a large amount of personal information data being affected, controlled and maliciously used by foreign governments after a foreign listing.

On November 14, 2021, the CAC released the Regulations on the Network Data Security (Draft for Comments), or the Draft Regulations, and were open for public comments until December 13, 2021. The Draft Regulations provide that data processors refer to individuals or organizations that autonomously determine the purpose and the manner of processing data. In accordance with the Draft Regulations, data processors shall apply for a cybersecurity review for the following activities: (i) merger, reorganization or division of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests to the extent that affects or may affect national security; (ii) listing abroad of data processors which process over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. Besides, data processors that are listed overseas shall carry out an annual data security assessment.

[Table of Contents](#)

On July 30, 2021, the State Council issued the Regulations on Protection of Critical Information Infrastructure, or the Regulations. Pursuant to the Regulations, critical information infrastructure shall mean the important network facilities or information systems of key industries or fields such as public communication and information service, energy, transportation, water conservation, finance, public services, e-government affairs and national defense science, and important network facilities or information systems which may endanger national security, people's livelihood and public interest once there occur damage, malfunctioning or data leakage to them. The Regulations provide that no individual or organization may carry out any illegal activity of intruding into, interfering with, or sabotaging any critical information infrastructures, or endanger the security of any critical information infrastructures. The Regulations also require that critical information infrastructure operators shall establish a cybersecurity protection system and accountability system, and that the main responsible person of a critical information infrastructure operator shall take full responsibility for the security protection of the critical information infrastructures operated by it. In addition, relevant administration departments of each important industry and sector shall be responsible for formulating the rule of critical information infrastructure determination applicable to their respective industry or sector, and determine the critical information infrastructure operators in their industry or sector.

On July 12, 2021, the MIIT and two other authorities jointly issued the Provisions on the Administration of Security Vulnerabilities of Network Products, or the Provisions. The Provisions state that, no organization or individual may abuse the security vulnerabilities of network products to engage in activities that endanger network security, or to illegally collect, sell, or publish the information on such security vulnerabilities. Anyone who is aware of the aforesaid offenses shall not provide technical support, advertising, payment settlement and other assistance to the relevant offenders. According to the Provisions, network product providers, network operators, and platforms collecting network product security vulnerabilities shall establish and improve channels for receiving network product security vulnerability information and keep such channels available, and retain network product security vulnerability information reception logs for at least six months. The Provisions also bans provision of undisclosed vulnerabilities to overseas organizations or individuals other than to the product providers.

On December 31, 2021, the CAC and three other governmental authorities jointly published the Administrative Provisions on Internet Information Service Algorithm Recommendation, or the Algorithm Recommendation Provisions, which became effective on March 1, 2022. The Algorithm Recommendation Provisions implements classification and hierarchical management for algorithm recommendation service providers based on varies criteria, and stipulates, among others, that algorithm recommendation service providers with public opinion attributes or social mobilization capabilities shall file with the CAC within ten business days from the date of providing such services.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer which became effective on September 1, 2022. The measures requires that any data processor who processes or exports personal information exceeding a certain volume threshold pursuant to the measures shall, through the local cyberspace administration at the provincial level, apply for a security assessment by the CAC before transferring any personal information abroad, including the following circumstances: (i) important data will be provided overseas by any data processor; (ii) personal information will be provided overseas by any operator of critical information infrastructure or any data processor who processes the personal information of more than 1,000,000 individuals; (iii) personal information will be provided overseas by any data processor who has provided the personal information of more than 100,000 individuals in aggregate or has provided the sensitive personal information of more than 10,000 individuals in aggregate since January 1 of last year; and (iv) other circumstances where the security assessment is required as prescribed by the CAC. A data processor shall, before applying for the security assessment of an outbound data transfer, conduct a self-assessment of the risks involved in the outbound data transfer. The security assessment of a cross-border data transfer shall focus on assessing the risks that may be brought about by the cross-border data transfer concerning national security, public interests, or the lawful rights and interests of individuals or organizations.

[Table of Contents](#)

On August 20, 2021, the Standing Committee of the National People's Congress of China promulgated the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose and should be conducted in a method that has the minimum impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope as necessary to achieve the processing purpose and avoid the excessive collection of personal information. Personal information processors shall adopt necessary measures to safeguard the security of the personal information they handle. The offending entities could be ordered to correct, or to suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

In addition, the State Secrecy Bureau has issued provisions authorizing the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets during online information distribution. Specifically, internet companies in the PRC with bulletin boards, chat rooms or similar services must apply for specific approval prior to operating such services.

Furthermore, the Provisions on Technological Measures for Internet Security Protection, promulgated by the Ministry of Public Security and became effective in March 2006, require all ICP operators to keep records of certain information about its 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 submit the above information as required by laws and regulations. The Decision on Strengthening Network Information Protection, or the Network Information Protection Decision, which was promulgated by the PRC National People's Congress in December 2012, states that ICP operators must request identity information from users when ICP operators provide information publication services to the users. If ICP operators come across prohibited information, they must immediately cease the transmission of such information, delete the information, keep relevant records, and report to relevant government authorities.

On October 21, 2019, the Supreme People's Court and the Supreme People's Procuratorate of the PRC jointly issued the Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes, which came into effect on November 1, 2019, and further clarifies the meaning of Internet service provider and the severe situations of the relevant crimes.

Regulations on Internet Privacy

The PRC Constitution states that PRC law protects the freedom and privacy of communications of citizens and prohibits infringement of these rights. In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. The Network Information Protection Decision provides that electronic information that identifies a citizen or involves privacy of any citizen is protected by law and must not be unlawfully collected or provided to others. ICP operators collecting or using personal electronic information of citizens must specify the purposes, manners and scopes of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. ICP operators are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. ICP operators are required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. The Administrative Measures on Internet Information Services prohibit an ICP operator from insulting or slandering a third party or infringing upon the lawful rights and interests of a third party. According to the Provisions on Protection of Personal Information of Telecommunication and Internet Users, which was promulgated by MIIT and became effective in September 2013, telecommunication business operators and ICP operators are responsible for the security of the personal information of users they collect or use in the course of their provision of services. Without obtaining the consent from the users, telecommunication business operators and ICP operators may not collect or use the users' personal information. The personal information collected or used in the course of provision of services by the telecommunication business operators or ICP operators must be kept in strict confidence, and may not be divulged, tampered with or damaged, and may not be sold or illegally provided to others. The ICP operators are required to take certain measures to prevent any divulgence of, damage to, tampering with or loss of users' personal information. In accordance with the Cyber Security Law, network operators are required to collect and use personal information in compliance with the principles of legitimacy, properness and necessity, and strictly within the scope of authorization by the subject of personal information unless otherwise prescribed by laws or regulations. In the event of any unauthorized disclosure, damage or loss of collected personal information, network operators must take immediate remedial measures, notify the affected users and report the incidents to the relevant authorities in a timely manner. If any user knows that a network operator illegally collects and uses his or her personal information in violation of laws, regulations or any agreement with the user, or the collected and stored personal information is inaccurate or wrong, the user has the right to request the network operator to delete or correct the relevant collected personal information.

[Table of Contents](#)

The relevant telecommunications authorities are further authorized to order ICP operators to rectify unauthorized disclosure. ICP operators are subject to legal liability, including warnings, fines, confiscation of illegal gains, revocation of licenses or filings, closing of the relevant websites, administrative punishment, criminal liabilities, or civil liabilities, if they violate relevant provisions on internet privacy. Pursuant to the Ninth Amendment to the Criminal Law issued by the Standing Committee of the National People's Congress in August 2015 and becoming effective in November 2015, the standards of crime of infringing citizens' personal information were amended accordingly and the criminal culpability of unlawful collection, transaction, and provision of personal information has been reinforced. In addition, any ICP provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders, will be subject to criminal liability for (i) any dissemination of illegal information in large scale; (ii) any severe effect due to the leakage of the client's information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (x) sells or provides personal information to others unlawfully, or (y) steals or illegally obtains any personal information, will be subject to criminal liability in severe situations. In addition, the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate of the PRC on Several Issues Concerning the Application of Law in Handling Criminal Cases of Infringing Personal Information, effective in June 2017, have clarified certain standards for the conviction and sentencing in relation to personal information infringement. The PRC government has the power and authority to order ICP operators to turn over personal information if an internet user posts any prohibited content or engages in illegal activities on the internet. The Civil Code further provides in a stand-alone chapter of right of personality and reiterate that the personal information of a natural person shall be protected by the law. Any organization or individual shall legitimately obtain such personal information of others in due course on a need-to-know basis and ensure the safety and privacy of such information, and refrain from excessively handling or using such information.

With respect to the security of information collected and used by mobile apps, pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps, which was issued on January 23, 2019, app operators should collect and use personal information in compliance with the Cyber Security Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen the personal information protection. Furthermore, app operators should not force their users to make authorization by means of bundling, suspending installation or in other default forms and should not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasized by the Notice on the Special Rectification of Apps Infringing upon User's Personal Rights and Interests, which was issued by MIIT on October 31, 2019. On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Methods of Identifying Illegal Acts of Apps to Collect and Use Personal Information. This regulation further illustrates certain commonly seen illegal practices of apps operators in terms of personal information protection, including "failure to publicize rules for collecting and using personal information," "failure to expressly state the purpose, manner and scope of collecting and using personal information," "collection and use of personal information without consent of users of such App," "collecting personal information irrelevant to the services provided by such app in violation of the principle of necessity," "provision of personal information to others without users' consent," "failure to provide the function of deleting or correcting personal information as required by laws" and "failure to publish information such as methods for complaints and reporting." Among others, any of the following acts of an app operator will constitute "collection and use of personal information without consent of users": (i) collecting an user's personal information or activating the permission for collecting any user's personal information without obtaining such user's consent; (ii) collecting personal information or activating the permission for collecting the personal information of any user who explicitly refuses such collection, or repeatedly seeking for user's consent such that the user's normal use of such app is disturbed; (iii) any user's personal information which has been actually collected by the app operator or the permission for collecting any user's personal information activated by the app operator is beyond the scope of personal information which such user authorizes such app operator to collect; (iv) seeking for any user's consent in a non-explicit manner; (v) modifying any user's settings for activating the permission for collecting any personal information without such user's consent; (vi) using users' personal information and any algorithms to directionally push any information, without providing the option of non-directed pushing such information; (vii) misleading users to permit collecting their personal information or activating the permission for collecting such users' personal information by improper methods such as fraud and deception; (viii) failing to provide users with the means and methods to withdraw their permission of collecting personal information; and (ix) collecting and using personal information in violation of the rules for collecting and using personal information promulgated by such app operator.

[Table of Contents](#)

On August 22, 2019, the CAC promulgated the Children Information Protection Provisions, which took effect on October 1, 2019, requiring that before collecting, using, transferring or disclosing the personal information of a child, the Internet service operator should inform the child's guardians in a noticeable and clear manner and obtain their consents. Meanwhile, internet service operators should take measures like encryption when storing children's personal information. On March 12, 2021, the CAC and three other authorities jointly issued the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications. The Rules specifies the scope of necessary personal information to be collected each for a variety of common mobile internet applications, such as maps and navigation apps, online ride-hailing apps, instant messaging apps, online community apps. Operators of such apps shall not refuse to provide basic services to users on the ground of users' refusal to provide their personal non-essential information. On April 26, 2021, the MIIT issued the Interim Administrative Provisions on Personal Information Protection in Internet Mobile Applications (Draft for Comment). The draft of the Interim Administrative Provisions on Personal Information Protection in Internet Mobile Applications sets forth two principles of collection and utilization of personal information, namely "explicit consent" and "minimum necessity."

Regulations on Foreign Exchange

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC, or the Foreign Exchange Administration Rules. The Foreign Exchange Administration Rules were promulgated by the State Council on January 29, 1996, and became effective on April 1, 1996, and were subsequently amended on January 14, 1997, and August 5, 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of State Administration of Foreign Exchange, or SAFE, for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant government authorities (if necessary).

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles, or the Circular 37, which is promulgated on July 4, 2014, and became effective on the same day. Under the Circular 37, (i) a PRC resident shall 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 PRC resident for the purpose of conducting investment or financing; and (ii) following the initial registration, the PRC 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 PRC resident shareholder, name of the overseas SPV, term of operation, or any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division. Failure to comply with the registration procedures set forth in Circular 37 and the subsequent notice, or making misrepresentation on or failure to disclose controllers of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign-invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

Pursuant to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies, which was promulgated on February 13, 2015, and implemented on June 1, 2015, and amended on December 30, 2019, the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

[Table of Contents](#)

According to the Implementation Rules for the Provisional Regulations on Statistics and Supervision of Foreign Debt, which was promulgated by SAFE on September 24, 1997, and the Interim Provisions on the Management of Foreign Debts promulgated by SAFE, the NDRC and the MOFCOM which became effective on March 1, 2003, loans by foreign companies to their subsidiaries in the PRC, which accordingly are foreign-invested enterprises, are considered foreign debts.

Pursuant to the Measures for the Administration of Foreign Debt Registration, together with the Guidelines on the Administration of Foreign Debt Registration, both issued by SAFE on April 28, 2013, and amended on May 4, 2015, April 26, 2016, and June 9, 2016, the Notice on Matters concerning the Macro Prudential Administration of Full-Covered Cross Border Financing issued by the PBOC on January 12, 2017, the Circular of the People's Bank of China and the State Administration of Foreign Exchange on Adjusting the Macro-prudential Regulation Parameter for Full-covered Cross-border Financing promulgated by the PBOC and the SAFE on March 12, 2020, the Circular of the People's Bank of China and the State Administration of Foreign Exchange on Adjusting Macro-prudential Regulation Parameter for Cross-border Financing of Enterprises promulgated by the PBOC and the SAFE on January 7, 2021, and the Circular of the People's Bank of China and the State Administration of Foreign Exchange on Adjusting Macro-prudential Regulation Parameter for Cross-border Financing in October 2022, the total amount of accumulated foreign debt borrowed by an enterprise is subject to an upper limit of the difference between its registered capital and its total investment amount, or 2.5 times, or the then applicable statutory multiple, of the amount of its audited net assets, at its election, and the foreign-invested enterprise is required to file with SAFE after entering into relevant foreign debt contract and within at least three business days before drawing any money from the foreign debts.

Regulations on M&A Rules and Overseas Securities Offering and Listing

Under the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (revised in 2009), or the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it, acquires a domestic company which is related to or connected with it, approval from the MOFCOM is required.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On December 27, 2021, the NDRC and the MOFCOM jointly issued the 2021 Negative List, which became effective on January 1, 2022. Pursuant to the 2021 Negative List, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company shall not be involved in the company's operation and management, and their shareholding percentage shall be subject, mutatis mutandis, to the relevant regulations on the domestic securities investments by foreign investors.

[Table of Contents](#)

On February 17, 2023, the CSRC issued the Overseas Listing Filing Rules, which took effect on March 31, 2023. According to the Overseas Listing Filing Rules, the overseas offering and listing by a PRC domestic company, whether directly or indirectly, shall be filed with the CSRC. Specifically, the determination of an indirect offering and listing will be conducted on a “substance over form” basis, and an offering and listing shall be considered as an indirect overseas offering and listing by a domestic company if the issuer meets both the following conditions: (i) the operating income, gross profit, total assets, or net assets of the domestic enterprise in the most recent fiscal year, where any index accounts for more than 50% of the relevant line item in the issuer’s audited consolidated financial statement for that year; and (ii) the main links of business activities carried out in mainland China or the main place of business is in mainland China, or the senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in mainland China. According to the Overseas Listing Filing Rules, an overseas offering and listing is prohibited under any of the following circumstances: (i) if the intended securities offering and listing is specifically prohibited by national laws and regulations and relevant provisions; (ii) if the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) if, in the past three years, the domestic enterprise or its controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy; (iv) if, the domestic enterprise is under investigation according to law for suspected crimes or major violations of laws and regulations, but no clear conclusions have been reached; (v) if there are material ownership disputes over the equity held by the controlling shareholder, or controlled by the controlling shareholder or the actual controller.

According to the Overseas Listing Filing Rules, the issuer or a major domestic operating company designated by the issuer, as the case may be, shall file with the CSRC (i) with respect to its initial public offering and listing within three business days, after its initial filing of the listing application to the regulator in the place of the intended listing, (ii) with respect to its follow-on offering in the same foreign market within three business days after completion of the follow-on offering, (iii) with respect to the assets of a domestic company are directly or indirectly listed overseas through one or more acquisitions, share swap, transfer or other transaction arrangements, the domestic company shall file with the CSRC in accordance with (i), in the case does not involve the submission of application documents abroad, within three business days after the first public announcement of the transaction. Non-compliance with the Overseas Listing Filing Rules or an overseas listing completed in breach of the Overseas Listing Filing Rules may result in a warning on the relevant domestic companies and a fine of RMB1 million to RMB10 million on them. Furthermore, the supervisors directly responsible and other directly responsible persons of the domestic enterprises may be warned, and fined between RMB500,000 to RMB5,000,000. The controlling shareholders or actual controllers of the domestic company organize or instigate the relevant illegal acts, or conceals relevant matters resulting in the illegal acts, may be fined between RMB 1 million to RMB10 million.

On February 24, 2023, the CSRC and the relevant government authorities released the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Enterprises, or the provisions. The provisions provide that, among other things, (i) in the course of overseas issuance and listing of domestic enterprises, domestic enterprises and securities companies and securities service agencies which provide the corresponding services shall strictly comply with the relevant laws and regulations of the People’s Republic of China and the requirements of these Provisions, strengthen legal awareness of confidentiality of State secrets and archives administration, establish a sound system for confidentiality and archives work, adopt the requisite measures to perform the responsibilities of confidentiality and archives administration, and shall not divulge State secrets and work secrets of State agencies or harm State and public interests; (ii) to provide accounting records or photocopies of accounting records to entities and individuals such as the relevant securities companies, securities service agencies and overseas regulatory authorities, a domestic enterprise shall perform the corresponding procedures in accordance with the relevant provisions of the State; (iii) the working papers formed within the territory of China by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be stored within the territory of China. Those that need to transmit working papers outbound shall go through examination and approval formalities in accordance with the relevant provisions of the State.

Regulations on Intellectual Property

Trademark

Pursuant to the Trademark Law of the PRC, which was most recently amended on April 23, 2019, and took effect on November 1, 2019, the valid period for registered trademark is ten years from the date of registration; to renew trademark registration upon expiration, the trademark registrant should follow the provisions to manage renewal 12 months before expiration; if it is not processed within the period, a six-month extension period shall be given. Valid period for each renewal is ten years from the next day after the previous expiration date. If renewal is not obtained after expiration, the trademark shall be canceled. Business administration authority shall sanction any infringement of trademark by law; where suspected crime is involved, the perpetrator shall be promptly apprehended by judicial agency for legal proceedings.

[Table of Contents](#)***Copyright***

Pursuant to the Copyright Law of the PRC most recently amended on November 11, 2020, and took effect on June 1, 2021, Chinese citizens, legal person or any other organization shall be entitled to copyright of its work by this law whether or not such work is published or not. Copyright covers the following forms of creative works: literature, art, natural science, engineering technology works, writing, narration, music, drama, opera, dance and acrobatic works, fine art and architectural works, photography, audio-visual works, drawings of engineering designs and product designs, maps, illustrations, other graphic works and model works; computer software and other intellectual creations that meet the characteristics of works. Perpetrator infringing on copyright or copyright related rights shall be held liable for actual damages to obligee, and may be fined, and the illegal gains, pirate copies and properties used for illegal activities may be confiscated.

Domain Name

Pursuant to the Internet Domain Name Management Measures released by the MIIT on August 24, 2017, and effective on November 1, 2017, domain name registration shall be conducted through domain name registration management service institutions, on the basis of “first apply first register,” unless otherwise specified by the implementation rules for a particular domain name. Domain name registration management service institution should enter into individual domain name registration agreement with the applicant. The domain name holder should notify domain name registration management service institution any alteration in registration information other than that of the holder and apply for registration information change within 30 days after the alteration according to alteration recognition method selected at application.

Patents

Pursuant to the Patent Law of the PRC, or the Patent Law, promulgated by the SCNPC, most recently amended on October 17, 2020, and took effect on June 1, 2021, and the Implementation Rules for the Patent Law of the PRC promulgated by the State Council, patents are categorized into invention, utility model and appearance design. The patent right period for invention is 20 years from the date of application, the patent right period for utility model is ten years from the date of application and the patent right period for appearance design is fifteen years from the date of application. The Patent Law and its Implementation Rules stipulate that a patentee’s patent right entitlement is protected by law.

Regulations on Tax***Corporate Income Tax***

Pursuant to the EIT Law of the PRC effective on January 1, 2008, and amended on December 29, 2018, and the Implementation Provisions for the EIT Law of the PRC effective on April 23, 2019, companies are classified into resident companies and non-resident companies. Corporate Income Tax rate is 25%, or 20% for non-resident company which hasn’t set up an organization or an operating site, or its income from established organization or operating side is not connected to such organization or site, judging by the source of its income within the PRC territory. High and new technology companies encouraged by the government shall be accorded with 15% income tax.

Pursuant to the Announcement on Issues Regarding Implementation of Preferential Income Tax Policy for High and New Technology Companies released on June 19, 2017, by State Administration of Taxation or the SAT, company qualified as high or new technology company shall enjoy preferential tax from the year indicated on the certificate for high and new technology company, and file for registration with taxation agency of jurisdiction according to relevant provisions. On expiration of the qualification as high and new technology company, income tax shall be temporarily levied pursuant to a preferential tax rate of 15% before renewal of the qualification; if such qualification is not obtained before the end of the year, the difference between the preferential tax rate and the regular tax rate should be paid according to applicable provisions.

[Table of Contents](#)
Withholding Income Tax

Pursuant to the Arrangement between Mainland and Hong Kong S.A.R. Regarding Avoidance of Double Taxation on Income and Prevention of Tax Evasion agreed between SAT and Hong Kong S.A.R. on August 21, 2006, and certain relevant conventions implemented as of June 11, 2008, December 20, 2010, December 29, 2015, and December 6, 2019, if Hong Kong resident holds at least 25% of the registered capital of a company in China, the withholding income tax rate applicable to the Chinese company for dividends payable to the Hong Kong resident is 5%. In all other cases, the withholding income tax rate applicable to the Chinese company for dividends payable to the Hong Kong resident is 10%.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC last amended on November 19, 2017, and its Implementation Rules promulgated by the Ministry of Finance, or the MOF and last amended on October 28, 2011, tax payers engaging in sale of goods, provision of processing services, repairs and replacement services, sales of services, intangible assets or real property, or importation of goods within the territory of the PRC shall pay value-added tax, or the VAT.

On November 16, 2011, the MOF and the SAT jointly promulgated the Pilot Plan for Levying Value-Added Tax in lieu of Business Tax. Starting from January 1, 2012, the PRC government has been gradually implementing a pilot program in certain provinces and municipalities, to levy a 6% VAT on revenue generated from modern service industries in lieu of the business tax.

The Measures for the Exemption of Value-Added Tax from Cross-Border Taxable Activities in the Collection of Value-Added Tax in Lieu of Business Tax (for Trial Implementation), which was promulgated on May 6, 2016, by the SAT, and revised according to the Notice of State Administration of Taxation on Revising Some Normative Documents on Taxation on June 15, 2018, provides that if a domestic enterprise provides cross-border taxable activities such as professional technology services, technology transfer, software service etc., the above mentioned cross-border taxable activities shall be exempted from the VAT.

On March 23, 2016, the MOF and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform which confirms that business tax will be completely replaced by the VAT from May 1, 2016.

Pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates issued by the MOF and SAT on April 4, 2018, and effective on May 1, 2018, the applicable VAT for VAT-taxable sales activities or imported goods are adjusted respectively from 17% and 11% to 16% and 10%.

Pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform issued by the MOF, the SAT and the General Administration of Customs on March 20, 2019, which came into force on April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%, and the currently applicable VAT rate of 10% shall be adjusted to 9%.

Regulations on Employment and Social Welfare
Employment

The relevant labor laws in China include the Labor Law of the PRC, the Labor Contract Law of the PRC, Interim Provisions on Labor Dispatch, the Social Insurance Law of the PRC, the Provisional Measures for Company Employee Birth Insurance (1994), the Provisional Regulations for the Collection and Payment of Social Insurance Premiums, and Regulations on Management of Housing Provident Fund and other laws and regulations released from time to time by relevant governmental departments.

Pursuant to the Labor Law of the PRC implemented on January 1, 1995, and last amended on December 29, 2018, by the SCNPC, enterprises and institutions must establish and improve work safety and health system, strictly enforce national regulations and standards on work safety and health, and carry out work safety and health education for workers. Working safety and health facilities must meet national standard. Enterprises and institutions must provide workers with working safety and health conditions that satisfy national provisions and relevant articles on labor protection.

[Table of Contents](#)

Pursuant to the Labor Contract Law of the PRC effective on January 1, 2008, and amended on December 28, 2012, by the SCNPC, or the Labor Contract Law, enterprise or organization which will establish or has established employment relationship with workers should make it official with written employment contract. No enterprise or institution may force workers to work overtime, and employer should pay over-time fee to workers in line with applicable national provisions.

Pursuant to the Interim Provisions on Labor Dispatch which were implemented by the Ministry of Human Resources and Social Security on March 1, 2014, and the Labor Contract Law, employers may only employ dispatched workers in temporary, auxiliary or substitutable positions and the number of which shall not exceed 10% of the total number of its employees. If the employer violates the relevant labor dispatch regulations, the labor administrative department shall order it to make rectifications within a time limit; if it fails to make rectifications within the time limit, penalties shall be imposed for more than RMB5,000 and less than RMB10,000 per person.

Social Insurance and Housing Provision

Pursuant to the Work-related Injury Insurance Regulations effective on January 1, 2004, and amended on December 20, 2010, by the State Council, and Provisional Measures for Enterprise Employee Birth Insurance released on December 14, 1994, by Labor Ministry (now the Ministry of Human Resources and Social Security), the Decision on the Establishment of Unified Basic Pension System for Enterprise Employees released on July 16, 1997, by the State Council, the Decision on the Establishment of Basic Medical Insurance System for Urban Employees promulgated by the State Council on December 14, 1998, the Regulations on Unemployment Insurance released by the State Council on January 22, 1999, the Provisional Regulations on the Collection and Payment of Social Insurance Premiums released by the State Council on January 22, 1999, and revised on March 24, 2019, and the Social Insurance Law of the PRC effective on July 1, 2011, and amended on December 29, 2018, by the SCNPC, employer should purchase social insurance policies for its employees, including basic pension policy, basic medical insurance policy, unemployment insurance policy, maternity insurance policy and work-related injury insurance policy. Employer failing to make timely and full payment for social insurance for its employees shall be demanded by social security authority of jurisdiction to furnish payment plus the late fee within designated time period. If such employer shall fail to make up for the late fee within designated time period, related administrative department shall impose punitive measures on the employer.

Pursuant to Regulations on Housing Provision Regulations released in 1999 and amended on March 24, 2002, and March 24, 2019 by the State Council, enterprises should file for housing provision payment registration with the Housing Provision Management Center, and set up housing provision account for employees at trusted bank after audited by the Housing Provision Management Center. Enterprises should make timely and full payment for the employee housing provision.

[Table of Contents](#)

C. Organizational Structure

The following diagram illustrates our current corporate structure, which includes our significant subsidiaries, the VIE and its material subsidiaries as of the date of this annual report:



Note:

- (1) Shareholders of Shenzhen Huiye Tianze Investment Holding Co., Ltd., or Huiye Tianze, are: (1) Shenzhen Huidecheng Investment Development Limited Partnership and Shenzhen Huideli Consulting Management Limited Partnership, both as our PRC ESOP holding entities, holding an aggregate of 49.43% shares in Huiye Tianze; (2) PRC holding entities of the shareholders of our Cayman Islands holding company, holding an aggregate of 50.57% shares in Huiye Tianze.

Contractual Arrangements with The VIE and Its Shareholders

Due to the PRC legal restrictions on foreign ownership of internet-based businesses and qualification requirements on foreign investors in the insurance intermediary business, we rely on certain contractual arrangements with the VIE and its shareholders to conduct substantially all of our operations in China. These contractual arrangements allow us to exercise effective control over the VIE, receive substantially all of the economic benefits of the VIE and have an exclusive option to purchase all or part of the equity interests in the VIE when and to the extent permitted by PRC law. As a result of these contractual arrangements, we expect to be regarded as the primary beneficiary of the VIE, and we will accordingly treat it as a variable interest entity under U.S. GAAP. We will consolidate the financial results of the VIE and its subsidiaries in our consolidated financial statements in accordance with U.S. GAAP.

[Table of Contents](#)

Below is a summary of the VIE contractual arrangements:

Agreements that Provide us with Effective Control over the VIE

Power of Attorney. On June 6, 2019, each shareholder of the VIE signed a Power of Attorney, pursuant to which each shareholder of the VIE irrevocably authorized our WFOE or any person designated by our WFOE to act as its attorney-in-fact to exercise all of its rights as a shareholder of the VIE, including but not limited to the right to convene and attend shareholders' meetings, sell, transfer or pledge any of the VIE's assets, vote on any resolution that requires a shareholder vote, such as the appointment of legal representative, directors, and officers, as well as other shareholders' voting rights permitted by the articles of association of the VIE. The shareholders' power of attorney will remain effective until the earlier of (i) the date on which the shareholders are no longer registered shareholders of the VIE; (ii) the expiration date of the VIE; or (iii) the expiration date of term of operation after it has been legally extended (if any), unless otherwise instructed by our WFOE in writing.

Equity Pledge Agreement. On June 6, 2019, our WFOE entered into an equity pledge agreement with the VIE and its shareholders. Pursuant to the equity pledge agreement, the shareholders of the VIE have pledged the 100% equity interests in the VIE to our WFOE to guarantee performance by the shareholders of their obligations under the exclusive business cooperation agreement, exclusive option and equity custody agreement and power of attorney, or together referred to as the "Cooperation Agreements." In the event of a breach by the VIE or any of its shareholders of contractual obligations under the Cooperation Agreements or the equity pledge agreement, our WFOE, as pledgee, will have the right to dispose of the pledged equity interests in the VIE and will have priority in receiving the proceeds from such disposal. The VIE and its shareholders also undertake that, without the prior written consent of our WFOE, the shareholders of the VIE will not dispose of, create or allow any encumbrance on the pledged equity interests. The equity pledge agreement will remain effective until the earlier of (i) the date on which all obligations secured have been fully paid; or (ii) the date on which the pledgors transfer all equity interests in Huiye Tianze and our WFOE is entitled to operate our business as permitted under applicable PRC law. As of the date of this annual report, we have completed the registration of such equity pledges with relevant governmental authority.

Agreement that Allows us to Receive Economic Benefits from the VIE

Exclusive Business Cooperation Agreement. On June 6, 2019, our WFOE, the VIE and its shareholders entered into an exclusive business cooperation agreement. Pursuant to the exclusive business cooperation agreement, our WFOE has the exclusive right to provide the VIE with comprehensive technology and business support as well as the relevant consultations services required by the business of the VIE, or to appoint a third party to provide the VIE with such services. The VIE agrees to pay our WFOE a quarterly service fee, which is at our WFOE's discretion. Our WFOE has the exclusive ownership of all the intellectual property rights created as a result of the performance of the exclusive business cooperation agreement to the extent permitted by applicable PRC law. During the term of the agreements, the VIE shall not accept any consultations and/or services provided by any third party and shall not cooperate with any third party for the provision of identical or similar services without prior written consent of our WFOE. The exclusive business cooperation agreements will remain effective unless our WFOE exercises its exclusive option and is registered as the sole shareholder of the VIE or otherwise terminates the agreement.

Agreement that Provides us with the Option to Purchase the Equity Interests in and Assets of the VIE

Exclusive Option and Equity Custody Agreement. On June 6, 2019, our WFOE entered into exclusive option and equity custody agreements with the VIE and its shareholders. Pursuant to the exclusive option and equity custody agreement, each of the shareholders of the VIE has irrevocably granted our WFOE an exclusive option to purchase, or have its designated third party to purchase, at its discretion, to the extent permitted under PRC law, all or part of his or its equity interests in the VIE and/or the assets that the VIE holds. Our WFOE or any third party designated by our WFOE may exercise such options at the price of RMB1, or minimum price as required by PRC laws and regulations when our WFOE or any third party designated by our WFOE exercises such options. If such price exceeds RMB1, the VIE's shareholders shall return the excess portion to our WFOE. The shareholders of the VIE irrevocably and without consideration granted our WFOE to take custody of their shares in the VIE, where our WFOE holds and may exercise all shareholder's rights of the VIE. The exclusive option and equity custody agreement will remain effective until all equity interests in the VIE and assets of the VIE have been transferred to our WFOE or its designated third party and registered under our WFOE or its designated third party or until our WFOE terminates the agreement unilaterally with ten days prior written notice.

[Table of Contents](#)

In the opinion of Commerce & Finance Law Offices, our PRC legal counsel:

- the ownership structures of the VIE in China and our WFOE are not in violation of applicable PRC laws and regulations currently in effect; and
- the contractual arrangements among our WFOE, the VIE and its shareholders governed by PRC law are currently valid and binding in accordance with applicable PRC laws and regulations currently in effect, and do not result in any violation of the applicable PRC laws or regulations currently in effect.

However, our PRC legal counsel has also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC legal counsel. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or any of the VIE are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure— If the PRC government finds that the agreements that establish the structure for operating certain of our operations in China do not comply with PRC regulations relating to insurance brokerage, insurance agent and the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations..”

D. Property, Plants and Equipment

Our corporate headquarter is located in Shenzhen, China. We lease office spaces in Shenzhen, Hefei, Chengdu, Beijing, Shanghai, Guangzhou, Nanjing, Suzhou, Zhengzhou, Xi'an, Hangzhou, Wuhan, Wuxi, Quanzhou, Nanchang, Huhehaote, Changchun, Shijiazhuang and Hong Kong from unrelated third parties under operating lease agreements, and we do not hold any facilities of our own. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth.

ITEM 4.A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included elsewhere in this annual report. This annual report contains forward-looking statements. See “Forward-Looking Information” on page 3 of this annual report. In evaluating our business, you should carefully consider the information provided under the caption “Item 3. Key Information—D. Risk Factors” in this annual report. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. Operating Results

Key Factors Affecting Our Results of Operations

Our results of operations and financial condition are affected by the general factors affecting China's online insurance industry, including, among others, (i) China's overall economic growth, (ii) the increase in per capita disposable income, (iii) regulatory changes, (iv) the rising awareness of insurance and demand for insurance products, and (v) the competitive environment in China. In particular, we operate in a highly regulated industry. The PRC government has not adopted a clear regulatory framework governing the emerging and rapidly evolving online insurance industry, and we expect that the regulatory framework will continue to evolve for some time to come. Regulatory changes will affect the general growth as well as the competitive landscape of the market. Staying in compliance with the regulatory requirements may result in diversion of our management team's attention and increased operational costs and expenses. Our ability to execute our strategies and make adjustments when necessary in a cost-efficient manner in the changing regulatory environment is key to our future growth. Unfavorable changes in any of these general factors could materially and adversely affect our results of operations.