SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the People’s Republic of China (hereinafter referred to as the “Constitution”) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments and international treaties of which the PRC Government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they may be used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (Revised 2023) (hereinafter referred to as the “Legislation Law”), the National People’s Congress (the “NPC”) and its Standing Committee are empowered to exercise the legislative power of the State according to the Constitution. The NPC has the power to formulate and amend basic laws governing state organs, civil, criminal and other matters. The Standing Committee of the NPC has the power to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of administration in PRC and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative regions, provided that such local regulations do not contravene the Constitution, laws and administrative regulations.

The ministries and commissions of the State Council, the People’s Bank of China, the National Audit Office and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people’s congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection, historical and cultural protection, etc. based on the specific circumstances and actual needs of such cities. The formulation of local regulations based on the specific circumstances and actual needs of such cities shall be submitted to the standing committees of the people’s congresses of provinces or autonomous regions for approval before implementation, provided that the relevant local regulations shall comply with the Constitution, laws, administrative regulations and the relevant local regulations of their respective provinces or autonomous regions. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.
The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts or autonomous prefectures within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee, but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people’s governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the National People's Congress on Strengthening the Interpretation of Laws, which was passed on 10 June 1981, the Supreme People's Court of the People's Republic of China (hereinafter collectively referred to as the “Supreme People's Court”) shall give general interpretations on all issues relating to the specific application of laws and decrees in court trials and inspections by the procuratorates. The State Council and its ministries and commissions also have the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws and regulations as well as administrative regulations is vested in the regional legislative and administrative bodies which promulgate such laws and regulations as well as administrative regulations.
THE PRC JUDICIAL SYSTEM

According to the Constitution and the Organic Law of the People’s Court of the People’s Republic of China (《中华人民共和国人民法院组织法》), the PRC judicial system is composed of the Supreme People’s Court, the local people’s courts at all levels and the special people’s courts.

The local people’s courts at all levels are comprised of the primary people’s courts, the intermediate people’s courts and the higher people’s courts. The higher people’s courts supervise the primary and intermediate people’s courts. The people’s procuratorates also have the power to exercise legal supervision over the civil proceedings of people’s courts of the same level or lower levels. The Supreme People’s Court is the highest judicial body in the PRC. It supervises the administration of justice by the people’s courts at all levels.

The Civil Procedure Law of the People’s Republic of China (implemented on 9 April 1991 and amended on 28 October 2007, 31 August 2012, 27 June 2017, 24 December 2021 and 1 September 2023, hereinafter referred to as the “PRC Civil Procedure Law”) sets forth the standards for instituting a civil action, the jurisdiction of the people’s courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. Generally, a civil case is first heard by the court where the defendant resides. The parties to a contract may also, by express agreement, select a competent court for civil proceedings, and the people’s court having jurisdiction shall be the court located at the plaintiff’s or the defendant’s place of domicile, the place where the contract is executed or the place where the contract is signed or the subject is located, but shall not violate the provisions of hierarchical jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation is given the same litigation rights and obligations as a citizen, a legal person or other organisations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. Under international treaties to which the PRC is a signatory or a participant, or under the principle of reciprocity, the people’s courts and foreign courts may request each other to serve documents, conduct investigations and collect evidence and engage in other litigation on their behalf.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people’s court or an award made by an arbitration institution in the PRC, the other party may apply to the people’s court for the enforcement of the same within two years. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.
Where a party applies for enforcement of a judgment or ruling made by a people’s court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling. In the case of an application or request for recognition and enforcement of a legally effective judgment or order of a foreign court, the people’s court shall, after having examined it in accordance with the international treaties entered into or acceded to by the People’s Republic of China or with the principle of reciprocity and having arrived at the conclusion that it neither contravene the primary principles of the laws of the People’s Republic of China nor violates its sovereignty, security or social and public interests, recognise and enforce it in accordance with the enforcement procedure in PRC.

COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND GUIDELINES ON THE ARTICLES OF ASSOCIATION OF LISTED COMPANIES

A joint stock limited company which is incorporated in the PRC and seeking a listing on The Stock Exchange of Hong Kong Limited is mainly subject to the following PRC laws and regulations:

The Company Law of the People’s Republic of China, which was promulgated by the Standing Committee of the NPC on 29 December 1993 and became effective on 1 July 1994, as amended from time to time, and has recently been amended by the Standing Committee of the NPC on 29 December 2023 and will become effective on 1 July 2024;

On 17 February 2023, the CSRC promulgated the “Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises” (the “Overseas Listing Trial Measures”) and related guidelines, which are applicable to direct and indirect offshore share subscription and listing by domestic enterprises;

On 15 December 2023, The CSRC last amended the Guidelines on the Articles of Association of Listed Companies (hereinafter referred to as the “Guidelines on the Articles of Association”). The relevant Guidelines on the Articles of Association are set out in our Company’s articles of association, a summary of which is set out in “Appendix VI — Summary of Articles of Association”.

Set out below is a summary of the major provisions of the Company Law, the Overseas Listing Trial Measures and the Guidelines for Articles of Association.

General

A joint stock limited company is a corporate legal person incorporated in PRC under the Company Law, whose registered capital is divided into shares of equal par value. Shareholders of the company shall be liable for the company to the extent of the shares they held, and the company shall be liable for the debts of the company with all its properties.
A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

**Incorporation**

Joint stock limited companies may be incorporated by means of sponsorship or by means of share offer. To incorporate a joint stock limited company, there shall be more than two but within two hundred sponsors, of which more than half must have their domicile within the territory of the PRC. After payment in full of the subscription money for all shares is made, the sponsors shall, within thirty days thereafter, convene and preside over an inaugural meeting, and shall notify each subscriber of the date of the inaugural meeting or make a public announcement fifteen days prior to the convening of the meeting. The inaugural meeting may be convened only if subscribers representing fifty percent or more of the total shares issued are present. Matters to be dealt with at an inaugural meeting include adopting of the company’s articles of association and electing members of the board of directors and members of the supervisory board. The resolution made at the inaugural meeting must be approved by subscribers attending the meeting who represent more than half of the voting rights.

The board of directors shall, within thirty days after the inaugural meeting, submit to the company registration authority and apply for registration of the incorporation of a joint stock limited company. Upon issuance of a company business licence by the relevant registration authority, the company is formally established and has the status of a legal person. A joint stock limited company incorporated by means of share offer and offering and issuing shares to the general public for subscription shall also submit to the company registration authority the registration documents for the issuance of shares from the securities administration department under the State Council.

The sponsors of a joint stock limited company shall bear the following responsibilities: (i) in the event of the company failing to be incorporated, joint and several liabilities for all debts and expenses incurred in the act of the incorporation; (ii) in the event of the company failing to be incorporated, joint and several liabilities for refunding to the subscribers the paid-up subscription money plus bank deposit interest calculated for the same period of time; and (iii) in the event of the interests of the company being impaired during the course of its incorporation due to the fault of the sponsors, liability for compensation to the company.

**Share Capital**

The sponsors may make their capital contributions in cash, or with material objects, intellectual property rights, land use rights and other non-monetary property that can be valued in currency and transferred in accordance with the law. If the contribution is made in a form other than cash and such property contributed must be evaluated and verified and converted into shares.
The issue of shares shall be in compliance with the principles of publicity, fairness and justice. The same shares must carry the same rights and the same benefits. Shares of the same issue shall be issued on the same conditions and at the same price. Shares may be issued at or above par but not below par.

According to the Overseas Listing Trial Measures, if a domestic enterprise conducts an overseas initial public offering or listing, it shall file the offering and listing application documents with the China Securities Regulatory Commission (CSRC) within three working days after submitting the application documents for overseas offering and listing. Domestic enterprises may raise funds and pay dividends in foreign currencies or in RMB in an overseas offering or listing.

**Issue of Shares**

The issue of shares of a joint stock limited company shall be in compliance with the principles of publicity, fairness and justice. The same shares must carry the same rights and the same benefits. Shares of the same issue shall be issued on the same conditions and at the same price. Shares may be issued at or above par but not below par.

Where a domestic enterprise issuing and listing overseas, the issuer shall file with the CSRC in accordance with the Overseas Listing Trial Measures and submit a filing report, a legal opinion and other relevant materials, giving a true, accurate and complete account of shareholders’ information and other information. Where a domestic enterprise proceeds a direct overseas issuance or listing, the issuer shall file with the CSRC. Where a domestic enterprise proceeds an indirect overseas issuance and listing, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

**Registered Shares**

According to the Company Law, where registered shares are issued, the company shall prepare a roster of the shareholders, in which the following items shall be recorded:

- the names or titles, and domiciles of the shareholders;
- the number of shares held by each shareholder;
- the serial numbers of the share certificates held by each shareholder;
- the date on which each shareholder obtained his shares.

**Increase Share Capital**

According to the Company Law, where a company issues new shares, resolutions on the class and number of the new shares, the issue price of the new shares, the opening and closing dates of the new share issue; and the class and number of new shares issued to existing shareholders shall be adopted by a shareholders’ general meeting according to the articles of associations.
Where the new share issue of a company is fully subscribed for, the company shall apply to the company registration authority for registration of the modification in its capital and make a public announcement thereafter. Where a company increases its registered capital, the capital contributions to the newly increased shares subscribed for by the shareholders shall be governed by the relevant provisions regarding the subscription for capital contributions in connection with the incorporation of a company.

**Reduce Share Capital**

Where a company intends to reduce its registered capital, it must formulate a balance sheet and a detailed inventory of assets. The company shall inform its creditors of the planned reduction of its registered capital within ten days from the date on which the resolution to reduce its capital is adopted, and make announcements in newspaper within thirty days from the date on which the resolution to reduce its capital is adopted. The creditors shall have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company within thirty days from the date of the receipt of the notice or, within forty-five days from the date of the announcement for those who have not received the notice. The company shall apply to the company registration authority for registration of the changes in accordance with law.

**Repurchase of shares**

According to the Company Law, a company may not purchase its own shares except where, (i) for the purpose of reducing its capital; (ii) the company merges with another company which holds its shares; (iii) the granting of shares for the implementation of an employee shareholding scheme or a share incentive scheme; (iv) shareholders requesting the company to purchase its own shares due to dissenting views on a resolution of a shareholders’ general meeting on a merger or division of the company; (v) the use of shares for the conversion of convertible bonds issued by the listed company; and (vi) share buybacks that are necessary for a listed company in order to safeguard the value of the company and the interests of its shareholders.

The acquisition of shares by the company for the reasons mentioned in (i) and (ii) above shall be subject to the resolution of the shareholders’ general meeting. If the company purchases shares for reasons (iii), (v) or (vi) above, a resolution must require more than two-thirds of the voting rights held by the directors present at the board of director’s meeting, in accordance with the provisions of the articles of association or by authorisation of the shareholders’ general meetings.

A company must cancel the shares purchased by the company itself in accordance with the preceding subparagraph (i) within ten days. In the event of a share repurchase under (ii) or (iv), the shares shall be transferred or cancelled within six months. In the event of a share repurchase under (iii), (v) or (vi), the total shares held by the company shall not exceed 10% of the total number of issued shares of the company and shall be transferred or cancelled within three years.
A listed company that makes a share repurchase shall fulfil its information disclosure obligations in accordance with the provisions of the securities laws. If a share repurchase is made pursuant to subparagraphs (iii), (v) or (vi), it shall be carried out through open and centralised trading.

Transfer of Shares

According to the Company Law, shares held by shareholders may be transferred in accordance with law. Transfer of shares by shareholders shall be conducted through stock exchanges established in accordance with law or by such other means as provided for by the State Council. Registered shares shall be transferred by means of endorsement by the shareholders or by such other means as provided for by law and administrative regulations. In the event of transfer of bearer shares, the shareholders shall deliver the share certificates to the transferee.

No registration of modification to the roster of shareholders as the transfer of registered shares shall be made within twenty days prior to the convening of a shareholders’ general meeting or within five days prior to the date decided by the company for the distribution of dividends. However, if the law provides otherwise for the registration of modification to the roster of shareholders of a listed company, the provisions shall apply.

According to the Company Law, shares issued prior to the public offering of shares may not be transferred within one year from the date of listing of the shares of a joint stock company on a stock exchange. Directors, supervisors and the senior managements shall declare their numbers of shares held by them to the company, and shall not transfer more than 25% of the total number of shares of the company held by them during their term of office. Our Company’s shares held by them shall not be transferred within one year from the date on which the shares of the company are listed and traded on a stock exchange and shall not be transferred within six months of their resignation to the company.

Shareholders

Under the Company Law and the Guidelines on the Articles of Association, the rights of a holder of ordinary shares of a joint stock limited company include:

- to attend or appoint a proxy to attend shareholders’ general meetings and to vote in proportion to the number of shares held;
- to transfer shares in accordance with laws, administrative regulations and the articles of association;
• to inspect the company’s articles of association, share register, counterfoil of company debentures, minutes of shareholders’ general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the supervisory committee and financial and accounting reports and to make proposals or enquiries in respect of the company’s operations;

• to file legal actions with the People’s Court to revoke resolutions passed at shareholders’ general meetings and board of directors’ meetings if the contents of such resolutions are in violation of the articles of association;

• to receive dividends and other distributions in proportion to the number of shares held;

• in the event of the termination or liquidation of the company, to participate in the distribution of remaining assets of the company in proportion to the number of shares held;

• other rights conferred by laws, administrative regulations, other normative documents and the company’s articles of association.

The obligations of a shareholder include the obligation to abide by the company’s articles of association, to pay subscription monies in accordance with the shares subscribed for, to assume the debts and liabilities of the company to the extent of the subscription amounts agreed by the shareholders in respect of the subscribed shares, not to abuse shareholders’ rights to damage the interests of the company or other shareholders of the company, not to abuse the independent status of the company as a legal person and its limited liability to damage the interests of the company’s creditors, and any other shareholders’ obligations under the company’s articles of association.

*Shareholders’ General Meeting*

The shareholders’ general meeting is the organ of authority of a company, which exercises its powers in accordance with the Company Law. The shareholders’ general meeting exercises the following powers:

• to decide on the company’s operational objectives and investment plans;

• to elect or replace directors and supervisors who are not employee representatives of the company and to decide on matters relating to the remuneration of directors and supervisors;

• to consider and approve reports of the board of directors;

• to consider and approve reports of the supervisory committee;

• to consider and approve the annual financial budgets and final accounts of the company;
to consider and approve the profit distribution plan and loss recovery plan of the company;

to resolve on the increase or reduction of the registered capital of the company;

to resolve on the issue of bonds by the company;

to resolve on the merger, division, dissolution, liquidation and other matters of the company;

to amend the articles of association; and

to exercise any other authority stipulated in the articles of association.

Shareholders’ general meetings shall be held once a year. According to the Company Law, an extraordinary general meeting shall be convened within two months when any of the following circumstances occurred:

- If the number of directors is less than the number stipulated by the laws or less than two-thirds of the number specified in the articles of association;
- when the unrecovered total losses of the company amount to one-third of the total amount of its paid-up share capital;
- when shareholders individually or jointly holding more than 10% of the company’s shares request;
- when deemed necessary by the board of directors;
- when proposed by the supervisory committee;
- any other circumstances as provided for in the articles of association.

According to the Company Law, the shareholders’ general meeting shall be convened by the board of directors and chaired by the chairman of the board of directors. Where the chairman is incapable of performing or not performing his duties, the vice chairman shall preside over the meeting; where the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening a shareholders’ general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner; where the supervisory committee fails to convene and preside over such meeting, shareholders individually or jointly holding more than ten percent of the shares of the company for more than 90 consecutive days may convene and preside over such meeting by themselves.
According to the Company Law, the time and venue of and matters to be considered at the shareholders’ general meeting shall be notified to all shareholders 20 days prior to the meeting. The company shall notify each shareholder fifteen days prior to the extraordinary general meeting. Shareholders individually or in the aggregate holding more than 3% of the shares of the company may propose and submit a temporary proposal to the convener in writing 10 days prior to date of the shareholders’ general meeting; the convener shall notify other shareholders within 2 days after receipt of the said temporary proposal and to submit the same to the shareholders’ general meeting for consideration. According to the Guidelines on the Articles of Association, after the notice of the shareholders’ general meeting is given, without cogent reason, the shareholders’ general meeting shall not be postponed or cancelled, and the proposals set out in the notice shall not be cancelled. Once the shareholders’ general meeting is adjourned or cancelled, the convener shall make public announcement and explain the reasons at least two working days before the original holding date.

The Company Law does not specify the number of shareholders required to be present at a shareholders’ general meeting. According to the Guidelines on the Articles of Association, the board of directors and the secretary to the board of directors cooperate with shareholders’ general meetings convened by the supervisory committee or the shareholders. The board of directors will provide a register of shareholders on the share registration date. In addition, when a shareholders’ general meeting is convened, all directors, supervisors and the secretary to the board of directors of the company shall attend the meeting, and the managers and other senior management shall attend the meeting as proxies without voting rights.

According to the Company Law, shareholders present at a shareholders’ general meeting have one vote for each share they hold. However, the shares held by the company do not carry any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the shareholders’ general meeting pursuant to the provisions of the articles of association or a resolution of the shareholders’ general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the shareholders’ general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the Company Law and the Guidelines on the Articles of Association, resolutions of the shareholders’ general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, a resolution of the shareholders’ general meeting to merge, division, dissolve, increase or reduce registered capital, change the form of the company or amend the articles of association of the company, the share incentive scheme and the purchase or disposal of significant assets within one year or the amount of guarantees in excess of thirty percent of the latest audited total assets of the company must be approved by more than two thirds of the votes of the shareholders present at the meeting. The shareholders’ general meeting shall make minutes of the decisions on the items under consideration. The chairman of the meeting and
directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the register of signatures of the attending shareholders and the proxy form for proxy attendance.

**RIGHTS AND CHANGES OF CLASSES OF SHARES**

The Company Law does not have special provisions on the change of rights of classes of shares. However, the Company Law stipulates that the State Council may make separate provisions on the issuance of other classes of shares other than those stipulated in this Law.

**Board of directors**

According to the Company Law, a joint stock limited company shall have a board of directors, which shall consist of five to nineteen members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company’s staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until an officially re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors exercises the following powers:

- to convene shareholders’ general meetings and report on its work at the shareholders’ general meetings;
- to implement the resolutions passed on the shareholders’ general meetings;
- to decide on the company’s operational plans and investment proposals;
- to formulate proposal for the company’s annual financial budgets and final accounts;
- to formulate the company’s profit distribution plans and loss recovery plans;
- to formulate proposals for the increase or reduction of the company’s registered capital and the issue of corporate bonds;
- to formulate proposals for the merger, division or dissolution of the company or change of corporate form;
- to decide on the establishment of the company’s internal management structure;
to decide on the appointment or dismissal of the company’s manager and their remuneration, and to decide on the appointment or dismissal of the company’s deputy manager and financial officer;

- to formulate the company’s basic management system;

- to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. An interim meeting of the board of directors may be convened when the shareholders representing one tenth or more of the voting rights propose to hold such meeting, or when one third or more directors or supervisor committee propose to hold such meeting. The chairman of the board of directors shall convene and preside over the meetings of the board of directors within ten days of receipt of the proposal. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a meeting for any reason, he/she may appoint another director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his/her behalf.

If a resolution of the board of directors violates the laws, administrative regulations, the company’s articles of association or the resolutions of the shareholders’ general meeting, and as a result of which the company incurs serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be relieved from that liability.

According to the Company Law, a board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and vice chairman shall be elected with approval of more than half of all the directors. The chairman of the board of directors shall convene and preside over meetings of the board of directors, and check on the implementation of the resolutions of the board of directors. The vice chairman shall assist the chairman. Where the chairman is incapable of performing or not performing his duties, the vice chairman shall preside over the meeting; where the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall preside over the meeting.

The Company Law provides that the following persons may not serve as a director of a company: (i) a person with no civil capacity or limit civil capacity; (ii) a person who has committed an offence of corruption, bribery, infringement of property, misappropriation of property or sabotaging the socialist market economic order and has been punished because of committing such offence; or who has been deprived of his political rights, in each case where less than five years have elapsed since the date of the completion of implementation of such punishment or deprivation; (iii) a person who has been a former director, factory manager or manager of a company or an
enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise; (iv) a person who was a legal representative of a company or enterprise which had its business licence revoked and was ordered to close down due to violation of the law and was personally liable, where less than three years have elapsed since the date of the revocation of the business licence of the company or enterprise; (v) a person who has a relatively large amount of debts due and outstanding. If a company violates the provisions of the preceding paragraph in electing or appointing a director, such election or appointment shall be null and void. A director, who falls under the circumstances as set out in preceding paragraph shall be removed from office by the company.

Supervisory Committee

According to the Company Law, a joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the supervisory committee shall be democratically elected by the employees at the employees’ representative assembly, employees’ general meeting or otherwise. The directors and senior management may not act concurrently as supervisors.

The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the chairman of the supervisory committee is incapable of performing or not performing his duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the vice chairman of the supervisory committee is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the supervisory committee.

Each term of office of a supervisor is three years. A supervisor may serve consecutive terms if re-elected upon the expiry of its term of office. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

Meetings of the supervisory committee shall be held at least once every six months. According to the Company Law, resolutions of the supervisory committee require the approval of more than half of the supervisors.
The supervisory committee exercises the following functions and powers:

- review the financial affairs of the company;
- supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior management who violates laws, administrative regulations, the articles of association or any resolution of the general meeting;
- require the director and senior management to make corrections if his/her act is detrimental to the interest of the company;
- propose the convening of an extraordinary general meeting, and to convene and preside over shareholders’ general meetings when the board of directors fails to exercise the function of convening and presiding over shareholders’ general meetings as prescribed by the Company Law;
- put forward proposals at shareholders’ general meetings;
- initiate actions against directors or senior management; and
- other functions and duties as provided for by the articles of association;
- supervisors may attend the board meetings and make enquiries or suggestions regarding the resolutions of the board meetings. The supervisory committee may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firms to assist in their work at the company’s expenses.

Manager and Senior Management

According to the Company Law, senior management refers to the company’s manager, deputy manager, person in charge of finance, and the secretary to the board of directors of a listed company as well as any other personnel.

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

- to be in charge of the production, operation and management of the company and to organise the implementation of the resolutions of the board of directors;
- to organise the implementation of the company’s annual business plan and investment plan;
to draft plans for the establishment of the company’s internal management structure;

to draft the company’s basic management system;

to formulate the basic rules and regulations of the company;

to propose the appointment or dismissal of deputy general managers and person in charge of finance of the company;

to determine the appointment or dismissal of responsible management personnel other than those required to be appointed or dismissed by the board of directors;

other functions and powers conferred by the board of directors and the articles of association.

If the articles of association provide otherwise for the powers and duties of the manager, the provisions shall prevail. The manager shall be present at the board meetings.

**Duties of Directors, Supervisors and Senior Management**

According to the Company Law, a director, supervisor and senior management are required to comply with the laws, administrative regulations and the articles of association, and shall be faithful and diligent to the company. The director, supervisor and senior management are prohibited from abusing their powers to accept bribes or other illegal income and from misappropriating the company’s properties.

Directors and senior management shall not have the following behaviours:

- misappropriation of company funds;
- depositing company funds into accounts under their own names or the names of other individuals;
- loaning company funds to others or providing guarantees in favour of others supported by the company’s assets in violation of the articles of association without prior approval of the shareholders’ general meeting or the board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders’ general meeting;
- to seek business opportunities for themselves or others that belong to the company, or operate for themselves or others any business similar to that of the company without the prior approval of the general meeting;
- accepting commissions from others dealing with the company for their own benefit;
disclosure of confidential information of the company without authorisation;

- other acts in violation of the duty of loyalty to the company.

Income generated by directors or senior management in violation of the foregoing provisions shall revert to the company.

A director, supervisor or senior management who contravenes any law, administrative regulations or the articles of association in the performance of his duties to the company resulting in any loss to the company shall be liable to compensation.

Where the general meeting requires directors, supervisors and senior management to attend the meeting, the directors, supervisors and senior management shall attend the meeting and answer the inquiries of shareholders. Directors and senior management shall truthfully provide the supervisory committee with relevant information, and shall not hinder the supervisory committee or supervisors from exercising its functions and powers.

If a Director or senior management has violated the laws, administrative regulations or the articles of association in the course of performing his duties to our company, and thereby caused the company to incur a loss, shareholders individually or jointly holding 1% or more of the company’s shares for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people’s court in respect thereof. If the supervisor has violated the laws, administrative regulations or the articles of association in the course of performing its duties to the company, and thereby caused the company to incur a loss, the aforesaid shareholders may request in writing the board of directors to initiate proceedings in the people’s court in respect thereof. If the supervisory committee or the board of directors refuses to initiate proceedings after receipt of a written request from the shareholders as mentioned in the preceding paragraph, or fails to initiate proceedings within 30 days of the date of receipt of the request, or under urgent circumstances where failure to promptly initiate proceedings would cause irreparable harm to the company's interests, the shareholders mentioned in the preceding paragraph are entitled to directly initiate proceedings in the people’s court in their own name in the interests of the company. If any person infringes the lawful rights of the company and has caused a loss to the company, the shareholders mentioned in the preceding paragraph may initiate proceedings in the people’s court according to the above provisions.

Where a director or senior management violates laws, administrative regulations or the articles of association, thereby damaging the interests of shareholders, the shareholders may initiate proceedings in the people’s court.

Finance and Accounting

According to the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each accounting year prepare a financial
and accounting report which shall be audited by the accounting firm. The financial and accounting report shall be prepared according to laws, administrative regulations and the regulations of the financial department of the State Council.

The company’s financial reports shall be made available for shareholders’ inspection at the company 20 days before the date of every annual general meeting. A joint stock limited company with shares issued publicly must publish its financial and accounting reports.

When a company distributes the annual after-tax profits, it shall allocate ten percent of its profits to its statutory common reserve fund. Where the accumulated amount of the statutory common reserve fund has exceeded fifty percent of the registered capital of the company, further allocation may be dispersed with. Where the statutory common reserve fund is insufficient to make up the losses of the previous year, the company shall apply its annual after-tax profits to making up its losses before allocating such profits, to the statutory common reserve fund. After making its allocation to the statutory common reserve fund from the after-tax profits, the company may, upon resolution made by the shareholders’ general meeting, make allocations to the discretionary common reserve fund from after-tax profits. After a company makes up its losses and makes allocations to the discretionary common reserve fund, a company shall distribute the remaining after-tax profits to its shareholders according to the proportion of capital subscribed for by each shareholder, except for those shall not be distribute according to the proportion of capital according to the articles of association. Where the shareholders’ general meeting or the board of directors violates the provisions of the preceding paragraphs by distributing profits to the shareholders before making up the company’s losses and making allocations to the statutory common reserve fund, the profits distributed in violation of the provisions must be returned by the shareholders to the company. No profits may be distributed from the company’s shares held by the company.

The premium income derived from issuing shares above par by a company, and other income which according to the rules set by the department in charge of financial affairs under the State Council should be entered into the capital common reserve fund of the company. A company’s common reserve fund shall be used to make up the company’s losses, to expand the production and operation of the company or to increase the capital of the company by means of conversion. However, the capital common reserve fund shall not be used to make up the company’s loss. When the statutory common reserve fund is converted into its capital, the remaining amount of the statutory common reserve fund shall not be less than twenty five percent of the registered capital of the company before conversion.

A company shall not have any other account books in addition to its statutory account books. No account may be opened in the name of any individual for deposit of a company’s assets.

Appointment and Dismissal of Accounting Firms

According to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders’ general meeting or board of directors in accordance with the articles of association. The accounting firm should be allowed to
make representations when the shareholders’ general meeting or the board meeting conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm which it employs without any refusal, withholding and misrepresentation.

**Profit Distribution**

According to the Company Law, a company shall not distribute the profits before making up its losses and making allocations to the statutory common reserve fund.

**Amendments to the Articles of Association**

According to the Company Law, a resolution on the amendment to the articles of association at the shareholders’ general meeting must be adopted by shareholders representing two-thirds or more of the voting rights held by the shareholders. Any amendment to the articles of association of the company shall be made in accordance with the provisions of the articles of association of the company. In relation to matters involving the company’s registration, the company shall apply for modification registration with the registration authority.

**Dissolution and Liquidation**

According to the Company Law, a company may be dissolved for the following reasons: (i) the term of its operations set down in the articles of association has expired or events of dissolution specified in the articles of association have occurred; (ii) the shareholders’ general meeting resolves to dissolve the company; (iii) dissolution is necessary due to merger or division of the company; (iv) the company’s business licence is revoked or the company is ordered to close down or be revoked according to law; (v) where the company encounters serious difficulties in its operation and management and the company’s continuance shall cause a significant loss in the interests of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the voting rights of all shareholders of the company request the people’s court dissolve the company, the people’s court dissolve the company based on the circumstance.

In the event of the circumstance described in (i) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending the shareholders’ general meeting.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within 15 days after the occurrence of the cause of dissolution so as to carry out liquidation.

Members of the liquidation committee of the company shall be composed of directors or personnel determined by the shareholders’ general meeting. If no liquidation committee is established within the stipulated time limit, the creditors of the company may apply to the people’s
court to designate relevant personnel to form a liquidation committee to carry out liquidation. The people’s court shall accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- to sort out the company’s assets and prepare a balance sheet and an inventory of assets;
- to notify creditors by notices or public announcements;
- to deal with and liquidate any outstanding business of the company;
- to pay outstanding tax together with any tax arising during the liquidation process;
- to settle claims and liabilities;
- to deal with the remaining assets of the company after its debts have been paid off;
- to represent the company in civil lawsuits.

The liquidation committee shall notify creditors within a period of ten days from the date of its establishment and make an announcement of the liquidation at a newspaper within sixty days of that date. Within thirty days following the date of receipt of the written notification, or within forty-five days following the public announcement if the written notification is not personally received, creditors shall declare their claims to the liquidation committee. When making declaration of their rights, creditors shall specify the items to which their rights relate and produce evidence to this effect. Claims shall be registered by the liquidation committee. In the course of claiming of creditors’ rights, the liquidation committee shall not make any repayment to creditors.

Upon liquidation of the company’s assets and the preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit it to the shareholders’ general meeting or the people’s court for confirmation. The remaining property of the company after payment of the liquidation expenses, wages of employees, social insurance expenses and statutory compensation, outstanding taxes and the company’s debts shall be distributed to shareholders in proportion to their shareholdings. During the liquidation period, the company continues to exist but shall not engage in operating activities unrelated to the liquidation. The company’s assets shall not be distributed to its shareholders before payment is made pursuant to the foregoing provision.

If the liquidation committee, having examined the company’s assets and having prepared a balance sheet and an inventory of assets, discovers that the company’s assets are insufficient to pay its debts in full, it shall apply to the people’s court for a declaration of insolvency. After the people’s court has declared the company insolvent, the liquidation committee shall turn over any matters regarding the liquidation to the people’s court.
Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report which shall be submitted to the shareholders’ general meeting or the people’s court for confirmation, and shall submit the same to the registration authority, apply for cancellation of the company’s registration, and publish an announcement on the termination of the company. Members of the liquidation committee shall faithfully perform their duties and perform their liquidation obligations in accordance with the laws. Members of the liquidation committee are prohibited from abusing their powers to accept bribes or other illegal income and from misappropriating the company’s properties. Members of the liquidation committee shall be liable to indemnify the company or its creditors for any loss arising from their willful or material default.

Where the company is declared bankrupt according to the laws, bankruptcy liquidation shall be conducted in accordance with the laws on bankruptcy of companies.

**Merger and Division**

According to the Company Law, a company may merge through merger by absorption or merger by new establishment. When a company merges by absorption, the company being absorbed shall be dissolved. When two or more companies merge to establish a new company, it is merger for new establishment, and all parties being merged shall be dissolved.

In the event of a merger, the parties to the merger shall sign a merger agreement and prepare a balance sheet and an inventory of assets. The company shall notify its creditors within 10 days from the date of the resolution on merger and shall publish an announcement in newspapers within 30 days. The creditors may require the company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice. In the event of a merger, the credits and debts of the parties to the merger shall be assumed by the company which survives the merger or the newly established company.

When the company is divided, its assets shall be divided accordingly. When the company is divided, a balance sheet and an inventory of assets shall be prepared. The company shall notify its creditors within 10 days from the date of the resolution on division and shall publish an announcement in newspapers within 30 days. The companies after division shall be jointly and severally liable for the debts of the company before division, unless otherwise agreed by the company and its creditors in writing on the settlement of debts prior to the division.

Where the merger or division of a company involves changes in registered items, such changes shall be registered according to law with the company registration authority. Where a company is dissolved, it shall apply for cancellation of its registration in accordance with law. Where a new company is incorporated, the registration of the incorporation of the company shall be carried out according to law.
Overseas Listing

According to the Overseas Listing Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of this article.

If the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicise the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票发行与交易管理暂行条例》) was issued in April 1993, which deals with the application and approval procedures for public offerings of shares, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

The Securities Law of the People’s Republic of China took effect on 1 July 1999 and was revised on 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and 28 December 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council’s securities regulatory authorities. The Securities Law of the People’s Republic of China comprehensively regulates activities in the PRC securities market.
Article 224 of the Securities Law of the People’s Republic of China provides that domestic enterprises shall comply with the relevant provisions of the State Council to list its shares outside the PRC. Currently, the issue and trading of shares overseas are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

**Arbitration and Enforcement of Arbitral Awards**

The Arbitration Law of the People’s Republic of China (2017 Amendment) (《中华人民共和国仲裁法(2017修正)》) (hereinafter referred to as the “Arbitration Law”) was passed by the Standing Committee of the NPC on 31 August 1994, became effective on 1 September 1995 and was amended on 27 August 2009 and 1 September 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people’s court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement. A people’s court may rule not to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the People’s Republic of China, may apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

On 2 December 1986, the PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (hereinafter referred to as the “New York Convention”) pursuant to a resolution passed by the Standing Committee of the NPC. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognise and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.
An arrangement was reached between Hong Kong and the Supreme People’s Court for the mutual enforcement of arbitral awards. On 18 June 1999, the Supreme People's Court adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on 1 February 2000 and was amended by the Supplemental Arrangement of the Supreme People’s Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated on 26 December 2020. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial Judgement and its Enforcement

According to the Arrangement of the Supreme People’s Court between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) promulgated by the Supreme People’s Court on 25 January 2024 and implemented on 29 January 2024, in the case of valid judgments in civil and commercial cases or effective judgments on civil claims in criminal cases made between the court of PRC and the court of the Hong Kong Special Administrative Region, any party concerned may apply to the people’s court of PRC or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement.