

## APPENDIX IV

## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

### THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》), or the Constitution, and is made up of laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, special administrative region law and international treaties and other regulatory documents signed by the PRC government. Court judgments do not constitute binding precedents for future cases, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》), or the Legislation Law, which was amended by the NPC on 13 March 2023 and became effective on 15 March 2023, the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered 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 state administration 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 respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. 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 and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of cities divided into districts must be submitted to the people's congress of such provinces or autonomous regions for approval before implementation.

The standing committees of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and 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 the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries, commissions, PBOC, NAO of the State Council and institutions with administrative functions

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directly under the State Council may formulate rules and regulations within the terms of reference of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules 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 the rules enacted by the people's governments of the provinces and autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within their respective administrative regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but which contravene the Constitution and the Legislation Law; the SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations and separate 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 and 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 standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level; 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 SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC and effective on 10 June 1981, the Supreme People's Court shall give interpretation on questions involving the specific application of laws and decrees in court trials. The Supreme People's Procuratorate shall interpret all issues involving the specific application of laws and decrees in the procuratorial work. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities.

Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these

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regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people's governments of provinces, autonomous regions and municipalities.

### PRC JUDICIAL SYSTEM

According to the Constitution and the Law of the PRC of Organization of the People's Courts (《中華人民共和國人民法院組織法》) amended by the SCNPC on 26 October 2018 and becoming effective on 1 January 2019, the PRC People's Court is made up of the Supreme People's Court, the local people's courts, and other special people's courts. The local people's courts are divided into three levels, namely the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the judicial work of the local people's courts at all levels and of the special people's courts, and the people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels.

According to the Constitution and the Law of Organization of the People's Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》) revised by SCNPC on 26 October 2018 and taking effect on 1 January 2019, the People's Procuratorate is the law supervision organ of the state. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, and judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the local people's courts at a higher level finds any definite errors in a judgment or ruling which has come into force, of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a judgment or ruling of such court which has come into force, the case can be retried according to judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法(2023年修訂)》), or the PRC Civil Procedure Law, adopted by the SCNPC on 1 September 2023 and effective on 1 January 2024 sets forth the requirements for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures

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for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Civil cases are generally heard by the courts where the defendant resides. The court of jurisdiction in a civil action arising out of disputes under a contract or disputes over property, equity or other assets may be chosen by express agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the object of the action is located. However, the choice of the court cannot be in conflict with the regulations of different jurisdictions and exclusive jurisdictions in any case.

A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization has the same litigation rights and obligations as a PRC citizen, legal person or other organizations when initiating or defending any proceedings at a people's court. If a foreign court limits the litigation rights of PRC citizens and 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-invested enterprise or a foreign organization must engage a PRC lawyer if such person needs to engage a lawyer in initiating or defending any proceedings at a people's court. Under an international treaty or the principle of reciprocity signed or acceded to by the PRC, the people's court and foreign courts may require each other to act on their behalf to serve documents, conduct investigations, collect evidence and take other actions on behalf of each other. If the request by a foreign court would result in the violation of the PRC's sovereignty, security or public interest, the people's court shall decline the request.

All parties must comply with civil judgments and rulings that have come into force. If any party to a civil action refuse to comply with a judgment or order made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may within two years apply to the people's court for enforcement. In the case of suspension or disruption of the time limit for applying for such enforcement, the laws concerning the suspension or disruption of the time-barring of actions shall apply.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless, among other exceptions, the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

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### THE PRC COMPANY LAW, TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

Company Limited by Shares established in the PRC and seeking listing on the Stock Exchange of Hong Kong Ltd. is mainly subject to the PRC Company Law and the Trial Measures.

The PRC Company Law (《中華人民共和國公司法》), or the Company Law, adopted by the Fifth Standing Committee Meeting of the Eighth NPC on 29 December 1993 and came into effect on 1 July 1994, was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023, respectively. The latest revised Company Law came into effect on 1 July 2024.

The Trial Measures and its five interpretative guidelines promulgated by the CSRC on 17 February 2023 came into effect on 31 March 2023 and apply to the direct and indirect overseas listing of domestic companies.

According to the Trial Measures and its interpretative guidelines, a domestic company seeking a direct offering and overseas listing shall formulate its articles of association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》), or the Guidelines for Articles of Association, in place of the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas which expired on 31 March 2023. The Guidelines for Articles of Association were promulgated by the CSRC on 16 December 1997 and last amended on 28 March 2025.

Set out below is a summary of the major provisions of the Company Law, the Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

#### General Provisions

“A joint stock limited company” means a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to payment of the price of the shares subscribed for by them and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company shall not be the capital contributor of an enterprise if such investment may subject such company to joint and several liabilities for the debts incurred by the invested enterprises.

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### **Incorporation**

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters shall convene an inaugural meeting of the company within 30 days after the share capital has been paid-up and shall notified all subscribers of the date of meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only with the presence of promoters and subscribers holding more than 50% of the total number of shares. Powers to be exercised at the inaugural meeting include but not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes cast by subscribers present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after a business license has been issued by the competent registration authority.

### **Registered Shares**

Under the Company Law, shareholders may make capital contributions in cash, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or with an intellectual property rights, land use rights, equity interests or debt claims.

The Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Company Law, a joint stock limited company is required to maintain a register of shareholders, detailing the following information: (i) the name and domicile of each shareholder; (ii) the class and number of shares subscribed for by each shareholder; (iii) the serial number of shares if issued in paper form; and (iv) the date on which each shareholder acquired the shares.

### **Allotment and Issue of Shares**

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued under the same conditions and at the same price. It may issue shares at par value or at a premium, but it shall not issue shares below the par value.

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Domestic enterprises seeking an overseas listing shall file with the CSRC in accordance with Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise plans a direct issuance of shares and overseas listing, the issuer itself shall file with the CSRC. If a domestic enterprise plans an indirect overseas listing, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

### **Increase in Share Capital**

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders' meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to existing shareholders, if any. If no par value stock is issued, the proceeds from the issuance of the new stocks shall be included into the registered capital. Additionally, if a company intends to make public offering of shares, it is required to complete the registration with the securities regulatory authority of the State Council and announce the document.

### **Share Repurchase**

Under the Company Law, a joint stock limited company shall not repurchase its own shares, except for any of the following circumstances:

- (i) reducing the registered capital;
- (ii) merging with another company that holds the shares of the company;
- (iii) for the purpose of employee stocks plan or equity incentives;
- (iv) where the shareholders voting against any resolution adopted at the shareholders' meeting on the merger or division of the company, exercises its right to demand the company to acquire the shares held by them;
- (v) where the company repurchases its shares for the conversion of convertible corporate bonds issued by it;
- (vi) in the case of a listed company, such company is required to do so to maintain the company's market value and shareholders' rights and interests.

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The repurchase of the outstanding shares of a company in the case of (i) to (ii) above shall be approved by a resolution of the shareholders' meeting; the repurchase of outstanding shares of a company in the case of (iii), (v) and (vi) above may be approved by a resolution of the Board meeting attended by more than two-thirds of the directors, as authorized by the articles of association or a resolution of the shareholders' meeting.

Following the repurchase of a company's shares by a company in accordance with the above provisions, such repurchased shares shall be canceled within 10 days from the date of buy-back in the case of item (i) above; such repurchased shares shall be transferred or canceled within six months in the case of items (ii) and (iv) above; the total numbers of shares held by the company through repurchase in the case of items (iii), (v) and (vi) above shall not exceed 10% of the total issued shares of such company, and shall be transferred or canceled within three years.

### **Transfer of Shares**

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder of a joint stock limited company shall affect a transfer of his shares on a stock exchange established according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. No changes to the shareholder register shall be made within 20 days before a shareholders' meeting or 5 days before the ex-dividend date decided by the company. If any law, administrative regulation, or any rules promulgated by the securities regulatory authority of the State Council specifies otherwise for the modification of the register of shareholders of a listed company, such provisions should prevail.

Under the Company Law, shares issued by a joint stock limited company prior to the public offering of shares 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. The directors, supervisors and senior management of the company shall inform the company of the shares they hold and the changes thereof. During the term of office as determined when such individuals assume the posts, the shares transferred by each such individual each year shall not exceed 25% of the total shares held by him/her. Shares of a company held by its directors, supervisors and senior management shall not be transferred within one year from the date of the company's listing on a stock exchange, nor within six months after he/she leaves office.

If the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee cannot exercise the pledge right within such restricted period.

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### Shareholders

Under the Company Law and Guidelines for Articles of Association the rights of a shareholder of a company include:

- (i) To receive dividends and other forms of interest distribution according to the number of shares held;
- (ii) To legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the General Meeting and exercise corresponding voting rights;
- (iii) To supervise business operations of the company, provide suggestions or submit queries;
- (iv) To transfer, grant or pledge its shares according to the provisions of the laws, administrative regulations and the Articles of Association;
- (v) To read and copy the Articles of Association, the register of Shareholders, General Meeting minutes, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial accounting reports Shareholders who meet the requirements may inspect the company's accounting books and documents;
- (vi) To participate in the distribution of the remaining assets of the company according to the proportion of shares held upon its termination or liquidation;
- (vii) To require the company to acquire the shares from shareholders voting against any resolutions adopted at the General Meeting concerning the merger and division of the company;
- (viii) Other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules of the stock exchange where the company's shares are listed, or the Articles of Association.

The obligations of a shareholder of a company include:

- (i) To abide by laws, administrative regulations and the Articles of Association;
- (ii) To pay in full for the Shares subscribed for by it;
- (iii) Not to withdraw Shares unless prescribed otherwise in laws and administrative regulations;

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- (iv) Not to abuse Shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company's creditors;
- (v) To perform other duties prescribed in laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Company's shares are listed.

### Shareholder's Meetings

Under the Company Law, the shareholders' meeting of a joint stock limited company is made up of all shareholders. The shareholders' meeting is the organ of authority of a company, which exercises the following functions and powers:

- (i) to elect and replace directors and supervisors who are not staff representatives and determine matters relating to the remuneration of such directors and supervisors;
- (ii) to approve reports of the board of directors;
- (iii) to approve reports of the supervisory committee or supervisor's report;
- (iv) to approve a company's profit distribution plans and loss recovery plans;
- (v) to resolve on the increase or reduction of a company's registered capital;
- (vi) to resolve on the issuance of corporate bonds;
- (vii) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;
- (viii) to amend the company's articles of association;
- (ix) other functions and powers specified in provision of the articles of association.

Under the Company Law, annual shareholders' meetings are required to be held once every year. An interim shareholders' meeting is required to be held within two months after the occurrence of any of the following circumstances:

- (i) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the articles of association;
- (ii) when the unrecovered losses of a company amount to one-third of the total share capital;

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- (iii) shareholders individually or jointly holding 10% or more of the company's shares request;
- (iv) when deemed necessary by the Board;
- (v) the Supervisory Committee proposes to convene the meeting;
- (vi) other circumstances as stipulated in the articles of association.

Shareholders' general meetings shall be convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the Deputy Chairman. In the event that the Deputy Chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

If the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board should convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may convene and preside over the meeting by themselves.

If the shareholders who separately or aggregately hold more than 10% of the shares of the company request to convene an interim shareholders' meeting, the board of directors and the board of supervisors should, within 10 days after the receipt of such request, decide whether to hold an interim shareholders' meeting and reply to the shareholders in writing.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders' meeting, and it shall clarify the matters, power and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum present in a shareholders' meeting.

Under the Company Law, shareholders present at a shareholders' meeting have one vote for each share they hold, except the shareholders of classified shares. However, shares held by the company itself are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting in accordance with the provisions of the articles of association or the resolutions of the shareholders' meeting. Under the accumulative voting system, each shareholder is entitled to one vote per share, multiplied by the number of candidates and uses them all for one candidate for director or supervisor.

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Under the Company Law and the Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' meeting. Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

### **Directors**

Except as otherwise provided by the Company Law, a joint stock limited company shall have a board of directors, which consists of more than three members. The term of office of a director shall be stipulated in the articles of association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year, and written notice of such meetings shall be given to all directors and supervisors 10 days before the meeting. The Board exercises the following functions and powers:

- (i) to convene shareholder's general meetings and report its work to the shareholder's general meetings;
- (ii) to implement the resolutions of the shareholder's general meeting;
- (iii) to decide on a company's business plans and investment plans;
- (iv) to formulate a company's profit distribution plan and loss recovery plan;
- (v) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds;
- (vi) to formulate plans for merger, division, dissolution or change of corporate form of a company;
- (vii) to decide on the internal management structure of a company;
- (viii) to decide on the appointment or dismissal of the manager of a company and their remuneration; to decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration;

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- (ix) to formulate a company's basic management system;
- (x) other functions and powers specified in the articles of association or granted by the shareholders' meeting.

Board meetings shall be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proved 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 exempt from such liability.

Under the Company Law, a person shall not serve as a director of a company if he/she is:

- (i) a person without capacity or with restricted capacity;
- (ii) a person having been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property or disrupting the order of the socialist market economy, or having been deprived of political rights due to a crime, and a five-year period has not elapsed since the expiration of execution period, or in the case of a suspension of such sentence, a two-year period has not elapsed since the expiration of the suspension of such sentence;
- (iii) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, and less than three years have elapsed since the completion of the bankruptcy and liquidation of such company or enterprise;
- (iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and had been closed down by order, and who were personally liable, and less than three years have elapsed since the date of the revocation of the business license of the company or enterprise or the order for closure; and
- (v) being listed as one of "dishonest persons subject to enforcement" by the people's court due to his/her failure to pay off a relatively large amount of due debts.

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The board of directors shall have one chairman, who shall be elected by more than half of all the directors. The chairman shall exercise the following functions and powers (including but not limited to):

- (i) to preside over shareholders' meetings and convene and preside over board meetings;
- (ii) to examine the implementation of resolutions of the Board;
- (iii) to exercise other powers conferred by the Board.

### Supervisors

Pursuant to the PRC Company Law, a company shall have a supervisory board composed of not less than three members. A joint stock limited company may, in accordance with its articles of association, instead of having set up a supervisory board or supervisors, establish an audit committee that comprises directors of the Board of Directors and exercises the functions and powers of the supervisory board as stipulated in this Law. A joint stock limited company with a smaller scale or fewer shareholders may appoint one supervisor without establishing a supervisory board to exercise the functions and powers prescribed for the supervisory board by the Company Law. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, among which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association.

The Supervisory Committee exercises the following powers:

- (i) to examine the company's financial affairs;
- (ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or resolutions of shareholders' meetings;
- (iii) to demand rectification by a director or senior management when the acts of such persons are harmful to the company's interest;
- (iv) to propose the convening of extraordinary shareholders' meetings, and to convene and preside over shareholders' meetings when the Board fails to perform the duty of convening and presiding over shareholders' meetings under the Company Law;
- (v) to submit proposals to the shareholders' meeting;

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- (vi) to initiate legal proceedings against directors and senior management in accordance with the Company Law;
- (vii) other functions and powers specified in the articles of association.

### **Senior Management**

Under the Company Law, a joint stock limited company shall have a manager who is appointed or removed by the board of directors. The manager is responsible to the board of directors and exercise his/her functions and powers according to the Articles of Association or the authorization of the board of directors. The manager attends the meetings of the board of directors as a non-voting member. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the Company Law, senior management shall refer to the manager, deputy manager(s), head of financial, secretary of the board of directors and other personnel as stipulated in the articles of association of the company.

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

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

Directors, supervisors and senior management are prohibited from:

- (i) embezzling the company's property or misappropriating of the company's capital;
- (ii) depositing the company's capital into accounts under his own name or the name of other individuals;
- (iii) giving bribes or accepting any other illegal proceeds by taking advantage of their power;
- (iv) accept and possess commissions paid by a third party for transactions conducted with the company;
- (v) unauthorized divulgence of confidential business information of the company; or
- (vi) other acts in violation of their fiduciary duty to the company.

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If any director, supervisor or senior management directly or indirectly concludes a contract or conducts a transaction with the company, he/she should report to the board of directors or shareholders' meeting such contract or transaction, which shall be subject to the approval of the board of directors or the shareholders' meeting according to the articles of association.

The provisions of the preceding paragraph shall apply if any near relatives of the directors, supervisors or senior management, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior management or any of their near relatives, or any related parties with any other related-party relationship with the directors, supervisors or senior management, concludes a contract or conducts a transaction with the company.

Neither director, supervisor or senior management may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances:

- (i) where he/she has reported to the board of directors or the shareholders' meeting and has been approved by a resolution of the board of directors or the shareholders' meeting according to the Articles of Association; or
- (ii) where the company cannot make use of the business opportunity, as provided by laws, administrative regulations or the Articles of Association.

Where any director, supervisor or senior management fails to report to the board of directors or the shareholders' meeting and obtain an approval by resolution of the board of directors or the shareholders' meeting according to the articles of association, he/she may not engage in any business, either for himself/herself or for any other person, that is similar to that of the company where he/she holds office.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties and result in any loss to the company shall be personally liable for the damages to the company.

### **Finance and Accounting**

Under 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. At the end of each fiscal year, the company shall prepare a financial and accounting reports which shall be audited by an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

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A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the annual shareholders' meeting. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company is allowed to cease to set aside statutory reserve fund if the accumulative amount of such reserve has reached 50% of the registered capital. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profit, it may also make an allocation to the discretionary reserve fund from its after-tax profit upon a resolution of the shareholders' meeting.

Except as otherwise provided by the Articles of Association, a joint stock limited company shall distribute profits in proportion to the number of shares held by its shareholders.

The premium received from the issuance of shares by a joint stock limited company at a price exceeding the face value of the stocks, and other items stipulated by the finance authority under the State Council to be included in the capital reserve, shall be included in the capital reserve.

A company's reserves shall be used to cover its losses, expand its production and business, or increase its registered capital. When using a company's reserves to cover its losses, any discretionary reserve and statutory reserve balances shall first be used to cover such losses; if there is still a shortfall, the capital reserve may be used in accordance with regulations. When converting statutory reserve into an increase in registered capital, the remaining balance of such reserve shall not be less than 25% of the company's registered capital before the conversion.

A company shall not have any other accounting books other than the statutory accounting books.

### **Appointment and Dismissal of Accounting Firms**

The appointment or removal of an accounting firm by a company as its auditor shall be subject to a resolution of the shareholders' meeting, the board of directors, or the board of supervisors as stipulated in the company's articles of association. When the shareholders' meeting, the board of directors, or the board of supervisors vote on removing an accounting firm as its auditor, the accounting firm shall be allowed to state its opinions. A company shall provide truthful and complete accounting documents, accounting books, financial accounting reports, and other accounting information to its appointed accounting firm, and shall not refuse to do so or conceal or falsely state any such information.

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### Profit Distribution

Where a company distributes profits to its shareholders in violation of the law, the shareholders shall return the distributed profits involved in the violation to the company; if losses are caused thereby to the company, the shareholders, as well as any directors, supervisors, and senior officers responsible for the violation, shall be liable for compensation.

### Dissolution and Liquidation

According to the Company Law, a company shall be dissolved if:

- (i) the term of business stipulated in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;
- (ii) the shareholders' meeting resolves to dissolve the company;
- (iii) dissolution is necessary due to a merger or division of the company;
- (iv) the business license is revoked, or the business is ordered to be shut down or dissolve in accordance with laws;
- (v) where the company encounters serious difficulties in its operation and management and its continuance may cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to a people's court for the dissolution of the company with the support of the judgment.

If any of the causes for dissolution outlined in the preceding paragraph arises, the company shall disclose the cause for dissolution within 10 days through the National Enterprise Credit Information Publicity System.

Where a company falls under the circumstances specified in subparagraph (i) or (ii) above and has not yet distributed its assets to shareholders, it may continue its existence by amending its articles of association or by resolution of the shareholders' meeting, both of which shall be resolved by shareholders representing two-thirds or more of the voting rights, or by shareholders present at the meeting representing two-thirds or more of the voting rights. Where a company is dissolved pursuant to subparagraph (i), (ii), (iv), or (v) above, it shall undergo liquidation. Directors shall act as the liquidators and form a liquidation group within 15 days from the date when the cause for dissolution arises. The liquidation group shall be composed of directors, except otherwise stipulated in the company's articles of association or appointed by a resolution of the shareholders' meeting. If the liquidators fail to fulfill their liquidation obligations in a timely manner, resulting in losses to the company or its creditors, they shall be liable for compensation.

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If a company required to undergo liquidation according to the Company Law fails to form a liquidation group within the prescribed period or fails to proceed with liquidation after forming a liquidation group, any stakeholders may apply to the people's court to designate relevant individuals to form a liquidation group for the liquidation. The people's court shall accept the application and promptly organize a liquidation group to conduct the liquidation.

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

- (i) to liquidate the company's assets and produce a balance sheet and a schedule of assets;
- (ii) to notify the company's creditors by way of notice or public announcement;
- (iii) to manage and clear the remaining business of the company;
- (iv) to settle the company's outstanding taxes and any tax liabilities incurred in the course of the liquidation;
- (v) to settle the company's accounts payable and recover its accounts receivable;
- (vi) to dispose of the company's residual assets; and
- (vii) to represent the company in any civil litigation to which it is a party.

The liquidation group shall notify the company's creditors within ten days as of its formation, and make a public announcement through a newspaper or the National Enterprise Credit Information Publicity System within 60 days upon its formation. Any creditor shall, within 30 days of receiving the notice, or within 45 days of the public announcement in the event that the creditor does not receive the notice, submit their debt claim to the liquidation group.

Any remaining assets after payment of liquidation expenses, employee wages, social security contributions, statutory severance payments, outstanding taxes, and outstanding debts, shall be distributed to shareholders on a pro rata basis, reflecting the respective proportion of capital contributed by each shareholder in the case of a limited liability company, or the respective proportion of shares held by each shareholder in the case of a joint stock limited company.

During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

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If, after liquidating the assets of the company and formulating a balance sheet and a schedule of assets, the liquidation group discovers that the company's assets are insufficient to fully cover its debts, it shall file a bankruptcy application with the people's court. After the people's court accepts the bankruptcy application, the liquidation group shall hand over liquidation affairs to the administrator designated by the people's court.

Upon the completion of the liquidation of a company, the liquidation group shall prepare a liquidation report and submit it to the shareholders' meeting or the people's court for confirmation, as well as to the company registration authority to apply for deregistration of the company.

Members of the liquidation group shall fulfill liquidation responsibilities with a duty of loyalty and diligence. Any member of the liquidation group who neglects their liquidation responsibilities and causes losses to the company shall be liable for compensation; if losses are caused to any creditor due to intent or gross negligence, such member shall be liable for compensation.

In the case where a company has its business license revoked, or is ordered to shut down or dissolve and fails to apply for deregistration with the company registration authority within a period of three years, the company registration authority may announce the case through the National Enterprise Credit Information Publicity System, with an announcement period of no less than 60 days. Upon the expiration of the announcement period without objection, the company registration authority may deregister the company, which, however, does not affect the obligations of the company's original shareholders and liquidators.

### **Overseas Listing**

According to the Trial Measures, where an issuer applies to an overseas stock exchange for an overseas initial public offering and listing, or where a company listed on an overseas stock exchange seeks a listing on another overseas stock exchange, it shall, within 3 working days after the submission of such application, file with the CSRC. If a listed company issues securities on the same overseas stock exchange where it is listed, it shall file with the CSRC within 3 working days after the completion of the issuance. Moreover, 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 publicize the filing information through its website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall notify the applicant to have the materials supplemented within 5 working days after the receipt by CSRC of the filing materials. The applicant shall supplement the materials within 30 working days.

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### SECURITIES LAW AND REGULATIONS

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 executive organizations of provision 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 Chinese companies in mainland China or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On 29 March 1998, the State Council consolidated the two departments above and reformed the CSRC.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》), or the PRC Securities Law, which was amended by the Standing Committee of the NPC on 28 December 2019 and came into effect on 1 March 2020, provides for a series of provisions regulating, among other things, the issuance 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 in the PRC, and comprehensively regulates activities in the PRC securities market. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issuance and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

### ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》), or the Arbitration Law, amended by the Standing Committee of the NPC on September 1, 2017 and effective on January 1, 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with 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 relevant regulations under the Arbitration Law and the PRC Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people's court will refuse to take legal action brought by a party in the people's court.

Under the Arbitration 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 according to the PRC Civil Procedure Law. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the

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arbitration commission). A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration institution may be recognized and enforced by the people's court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People's Court on 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安排》) promulgated by the Supreme People's Court on 24 January 2000 and effective on 1 February 2000, and the Supplementary Arrangement of the Supreme People's Court on 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 by the Supreme People's Court on 26 November 2020 and effective on 27 November 2020, arbitral awards made by PRC arbitral institutions can be recognized and enforced by the court in Hong Kong, and vice versa.