PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the People's Republic of China (2018 Amendment) (the "**Constitution**"), which came into effect on March 11, 2018. It is composed of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations issued by ministries and commissions of the State Council, rules and regulations issued by local governments at various levels, laws of special administrative regions, international treaties signed by the PRC government, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

In accordance with the Constitution and the Legislation Law of the People's Republic of China (2023 revision) (the "**Legislation Law**"), the National People's Congress ("**NPC**") and its Standing Committee ("**NPC Standing Committee**") are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs, and other matters. The NPC Standing Committee has the power to formulate and amend laws other than those required to be enacted by the NPC. During the recess of the NPC, the NPC Standing Committee may supplement and amend laws enacted by the NPC, provided that such supplements and amendments do not conflict with the basic principles of the 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 requirements of their own respective administrative areas, provided that such local regulations shall comply with the Constitution, laws, and administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may, based on the specific circumstances and actual needs of the city, formulate local regulations in areas such as urban and rural construction and management, environmental protection, and historical and cultural protection. These regulations must not violate the Constitution, laws, administrative regulations, or the regulations of the relevant province or autonomous region. Where the law has other provisions regarding the matters for local regulations in cities divided into districts, such provisions shall prevail. Local regulations formulated by cities divided into districts shall take effect after being approved by the standing committee of the people's congress of the relevant province or autonomous region.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws. The ministries and commissions of the State Council, the People's Bank of China, the State Audit Administration, and other administrative bodies directly under the State Council may, within their authority and in accordance with laws, administrative regulations, and decisions or orders of the State Council, formulate departmental rules. The people's governments of provinces, autonomous regions, municipalities, and autonomous prefectures with cities may, based on relevant provincial, autonomous region, or municipal laws, administrative regulations, and local regulations, formulate their own rules.

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. The authority of administrative regulations is greater than that of local regulations. 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 city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to amend 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 or 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 or the Legislation Law. The State Council has the power to amend 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 amend 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 amend 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 NPC 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 on June 10, 1981, the scope of laws that require further clarification or supplementary provisions shall be interpreted or prescribed by the Standing Committee of the NPC. Issues related to the specific application of laws in court trials shall be interpreted by the Supreme People's Court; issues related to the specific application of laws in prosecutorial work shall be interpreted by the Supreme People's Procuratorate. In the event of principled disagreements between the Supreme People's Court and the Supreme People's Procuratorate regarding interpretations, such issues shall be referred to the Standing Committee of the NPC for interpretation or decision. Interpretations not involving the specific application of laws in judicial or prosecutorial work shall be made by the State Council and the competent departments. The State Council and its ministries and commissions also have the power to interpret the administrative regulations and departmental rules they have promulgated. The power to interpret local regulations lies with the local legislative and administrative organs that promulgated the regulations.

PRC JUDICIAL SYSTEM

According to the Constitution of the People's Republic of China, the PRC Law on the Organization of the People's Courts (《中華人民共和國人民法院組織法》), and the PRC Law on the Organization of the People's Procuratorates (《中華人民共和國人民檢察院組織法》) (last amended on October 26, 2018, and effective from January 1, 2019), the PRC judicial system is composed of the Supreme People's Court, local people's courts at various levels, and special people's courts. Local people's courts are divided into primary people's courts, intermediate people's courts, and higher people's courts. The higher-level people's courts exercise supervisory powers over the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts at the same level and lower levels. The Supreme People's Court is the highest judicial body of the People's Republic of China and supervises the judicial work of people's courts at all levels across the country. The People's Procuratorate of the PRC is composed of the Supreme People's Procuratorate, local people's procuratorates at various levels, military procuratorates, and other specialized people's procuratorates. The Supreme People's Procuratorate is the highest procuratorial organ and provides guidance to local people's procuratorates and specialized people's procuratorates. The higher-level people's procuratorates guide the work of the lower-level people's procuratorates.

The people's courts adopt a two-tier final appellate system, where second-instance judgments or rulings of the people's courts are final. A party dissatisfied with a judgment or ruling of a local people's court in the first instance may file an appeal. The people's procuratorate, in accordance with legal procedures, may file a protest to the people's court at the next higher level. If a party does not file an appeal within the statutory time limit and the people's procuratorate does not file a protest, the judgment or ruling of the people's court becomes final. The second-instance judgments or rulings of the intermediate people's courts, the higher people's courts, and the Supreme People's Court, as well as first-instance judgments or rulings of the Supreme People's Court, are final.

However, if the Supreme People's Court finds an error in a judgment, ruling, or mediation document that has already taken legal effect at any level of the people's courts, or if a higher-level people's court finds an error in a judgment, ruling, or mediation document that has already taken legal effect at a lower-level people's court, they have the right to conduct a retrial or send the case back to the lower-level people's court for reconsideration. If the president of any level of people's court finds that a legally effective judgment, ruling, or mediation document contains errors and should be retried, the case should be submitted to the adjudication committee of the same-level people's court for discussion and decision.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) (the "**Civil Procedure Law**"), which was last amended by the Standing Committee of the National People's Congress on September 1, 2023, and came into effect on January 1, 2024, sets forth the criteria 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 for the enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Civil cases are generally under the jurisdiction of the local court where the defendant resides. The jurisdictional court for a civil action may also be selected by the parties to the contract through express agreement, provided that the judicial court is located in a place directly related to the dispute, such as the domicile of the plaintiff or defendant, the place of execution or implementation of the contract, or the location of the object of the action. However, such selection must not violate the provisions regarding territorial jurisdiction and exclusive jurisdiction.

Foreign nationals, stateless persons, foreign enterprises, or organizations enjoy the same rights and obligations as PRC citizens and legal persons. If a foreign court limits the rights of PRC citizens or enterprises, the PRC courts may impose the same limitations on the foreign citizens or enterprises. Foreign nationals, stateless persons, foreign enterprises, or organizations, when seeking to sue or respond to a lawsuit in PRC courts, must appoint a PRC lawyer. According to international treaties signed or acceded to by China, or based on the principle of reciprocity, PRC people's courts and foreign courts may mutually request service of process, conduct investigations, and collect evidence, as well as perform other agency actions. The PRC people's courts shall not accept any request from a foreign court if such request would infringe upon China's sovereignty, security, or social public interests.

Parties must comply with civil judgments or rulings that are legally binding. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for enforcement within two years. However, an extension of the enforcement period or a cancellation of the enforcement may be requested. If the party fails to fulfill the judgment within the time period allowed by the court, the court may, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of the PRC people's court against a person or property not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may be recognized and enforced by the people's court in the PRC according to PRC enforcement procedures if China 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 under the principle of reciprocity, and the PRC court finds that the recognition or enforcement of such judgment or ruling will not violate the basic legal principles of the PRC. However, the foreign judgment or ruling shall not be recognized or enforced if the court, after examining the matter under the principle of reciprocity, finds that the recognition or enforcement will violate the basic legal principles of the PRC, its sovereignty or national security, harm social and public interests, or involve any other circumstances provided under Article 300 of the Civil Procedure Law.

THE COMPANY LAW AND ADMINISTRATIVE MEASURES

A joint stock limited company incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is primarily governed by the following laws and regulations in the PRC:

The PRC Company Law (《中華人民共和國公司法》) (the "**Company Law**"), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994. It has been amended several times, with revisions on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018, and December 29, 2023. The latest revision (i.e., the 2023 revision) was implemented on July 1, 2024; The Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") were promulgated by the China Securities Regulatory Commission (the "**CSRC**") after approval by the State Council on February 17, 2023, and came into effect on March 31, 2023, along with five supporting guidelines, applicable to the overseas issuance of shares and listing of joint stock limited companies; The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the "**Guidelines for Articles of Association**"), which were recently revised by the CSRC, came into effect on March 28, 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 applicable to the Company.

1. General

A joint stock limited company refers to an enterprise legal person established under the Company Law, with its registered capital divided into equal shares. The liability of shareholders for the company's debts is limited to the amount of their contributions, and the company is liable to its creditors up to the total value of its assets.

A joint stock limited company shall operate its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies, and its liability for such invested companies is limited to the amount invested. Where the law stipulates that a joint stock limited company may not be a contributor undertaking joint and several liabilities for the debts of the invested companies, such stipulations shall prevail.

2. Establishment

A company may be incorporated by promotion or public subscription. The number of promoters shall be at least one and no more than 200, and at least half of the promoters must have residence within the PRC. Shares shall not be publicly issued before the promoters have fully paid for the shares they subscribe to. For a company incorporated by public subscription, the registered capital shall be the total amount of capital represented by the issued shares as registered with the company registration authority.

For a joint stock limited company incorporated by promotion, the procedures for convening and voting at the inaugural meeting must be specified in the articles of association or the promoters' agreement. For a joint stock limited company incorporated by public subscription, the promoters shall convene and host the inaugural meeting within 30 days after the shares have been fully paid up from the date of the issuance of the shares at the time of the company's establishment. Notice of the meeting date must be sent to all subscribers or publicly announced 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. The meeting shall deal with matters including the organizational report of the company, approval of the articles of association, and election of members of the board of directors and the board of supervisors. All resolutions shall be passed with the consent of the subscribers holding more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall authorize a representative to apply to the registration authority for the registration of the establishment of the joint stock limited company. After the business license has been issued by the relevant registration authority, the company shall be formally established and acquire legal personality.

3. Share Capital

Shareholders may contribute to the capital of the company in the form of cash, physical assets, intellectual property, land use rights, equity interests, debts, or other valuable assets, except for assets prohibited by laws or administrative regulations. When contributing non-cash assets, such assets must be assessed and verified for their value, ensuring that their valuation is neither inflated nor undervalued.

The issuance of shares must be fair and impartial. Shares of the same class shall have equal rights. For shares of the same class issued at the same time, the terms of issuance and the price per share shall be identical. When any organization or individual subscribes to shares, the price paid for each share shall be the same. The price of the shares may be equal to or higher than their par value, but may not be below par value.

In accordance with the Company Law, a joint stock limited company shall maintain a shareholder register, which shall contain the following details: (i) the name and domicile of each shareholder; (ii) the number and class of shares held by each shareholder; (iii) the serial number of each shareholder's shares; and (iv) the date on which each shareholder acquired their shares.

4. Increase of Share Capital

When a company issues new shares, the shareholders' meeting shall resolve on the type and number of new shares, the issue price, the subscription period, the type and number of new shares to be issued to existing shareholders, and whether the proceeds from the issuance of no-par-value shares will be included in the registered capital.

When a company is publicly issuing new shares with the approval of the CSRC, it must publish the share issuance documents and financial statements, and prepare the subscription forms. After the new share issuance has been paid up, the company must register the changes with the relevant registration authority and make an announcement in accordance with the law. When a company increases its registered capital by issuing new shares, shareholders subscribing to new shares must comply with the relevant provisions for the payment of subscription funds as stipulated when the company was originally established.

5. Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law: (i) It shall prepare a balance sheet and an asset list; (ii) The resolution for the reduction of registered capital must be approved by the shareholders' meeting; (iii) It shall notify its creditors of the reduction in capital within ten days after the resolution has been passed and shall publish an announcement regarding the reduction in a newspaper or on the National Enterprise Credit Information Publicity System within thirty days; (iv) Creditors may, within thirty days from the date of receiving the notice, or within forty-five days from the date of the public announcement if no notice has been received, require the company to repay its debts or provide guarantees for the debts; and (v) It shall apply to the company registration authority for the registration of the change in registered capital.

6. Repurchase of Shares

According to the Company Law, a joint stock limited company may not purchase its own shares except for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to use the shares for an employee stock ownership plan or as equity incentives; (iv) to repurchase shares from shareholders who oppose the resolution regarding the company's merger or division at a shareholders' meeting; (v) to use shares for the conversion of convertible corporate bonds issued by a listed company; and (vi) to maintain the company value and protect shareholders' equity in the case of a listed company.

When shares are repurchased for the purposes set out in (i) and (ii) above, approval from the shareholders' meeting is required. In the case of a share buyback under any of the circumstances described in (iii), (v), or (vi) above, a resolution by the board of directors shall be passed by a two-thirds majority of directors present at the meeting, in accordance with the provisions of the company's articles of association or as authorized by the shareholders' meeting.

After the company acquires its shares according to the provisions above, it shall cancel the shares under the following circumstances: (i) the shares shall be canceled within 10 days from the date of acquisition; (ii) if the shares are repurchased for the purposes of (ii) or (iv), they must be transferred or canceled within six months; (iii) if the shares are repurchased for the purposes of (iii), (v), or (vi), the total number of shares held by the company shall not exceed 10% of the company's total issued shares, and they must be transferred or canceled within three years.

A listed company repurchasing its own shares shall fulfill its disclosure obligations in accordance with the Securities Law of the People's Republic of China (the "**Securities Law**"). When a listed company repurchases shares under any of the circumstances described in (iii), (v), or (vi) hereof, the repurchase must be conducted through public centralized trading.

The company shall not accept its own shares as collateral.

7. Transfer of Shares

Shares held by shareholders may be transferred in accordance with the law. Shares issued by the company prior to its [REDACTED] shall not be transferred within one year from the date on which such shares are listed on a securities exchange. Directors, supervisors, and managers of the company shall declare to the company their shareholdings and any changes in such shareholdings. During the tenure confirmed at the time of appointment, they shall not transfer more than 25% of the shares they hold in the company annually. The shares they hold in the company shall not be transferred within one year from the date on which the company's shares are listed. They shall also not transfer their shares within six months after their resignation from the company. The articles of association of the company may impose other restrictive provisions on the transfer of shares held by directors, supervisors, and senior management.

8. Shareholders

Under the Company Law, the rights of shareholders include: (i) the right to attend shareholders' meetings or appoint a proxy to attend and vote at such meetings; (ii) the right to transfer shares in accordance with laws, administrative regulations, and the articles of association; (iii) the right to inspect and copy the company's articles of association, shareholder register, minutes of shareholders' meetings, resolutions of the board of directors, resolutions of the board of supervisors, and financial and accounting reports, and to make suggestions or raise inquiries regarding the company's operations; (iv) the right to request the people's court to rescind any resolution passed at a shareholders' meeting or board of directors meeting that violates the company's articles of association, within 60 days from the date the resolution was passed; (v) the right to receive dividends and other types of profit distribution in proportion to the number of shares held; (vi) in the event of the dissolution or liquidation of the company, the right to participate in the distribution of the residual properties of the company in proportion to the number of shares held; and (vii) other rights granted by laws, administrative regulations, other regulatory documents, and the company's articles of association.

The obligations of shareholders include: the obligation to abide by the company’s articles of association, to pay the subscription money for shares subscribed for, to be liable for the company’s debts and liabilities to the extent of the shares subscribed for, not to abuse shareholder rights to harm the interests of the company or other shareholders, not to abuse the company’s legal personality or the shareholders’ limited liability to harm the interests of any creditor, and any other obligations of shareholders specified in the articles of association.

9. Shareholders’ Meetings

The shareholders’ meeting is the organ of authority of the company, exercising the following powers: (i) to elect or remove directors and supervisors, and to decide on the remuneration of directors and supervisors; (ii) to examine and approve the report of the board of directors; (iii) to examine and approve the report of the board of supervisors; (iv) to examine and approve the company’s profit distribution plan and loss recovery plan; (v) to resolve on the increase or reduction of the company’s capital; (vi) to resolve on the issuance of bonds by the company; (vii) to resolve on the merger, division, dissolution, liquidation, and other matters of the company; (viii) to amend the company’s articles of association; and (ix) other powers as provided for in the articles of association.

The shareholders’ meeting shall be held once every year, within six months after the end of the preceding fiscal year. An extraordinary shareholders’ meeting shall be convened within two months after the occurrence of any of the following: (i) the number of directors is less than the number prescribed by the Company Law or less than two-thirds of the number specified in the articles of association; (ii) the total unremedied losses of the company reach one-third of the company’s paid-in capital; (iii) when shareholders, alone or in aggregate, holding 10% or more of the company’s shares request the convening of an extraordinary shareholders’ meeting; (iv) whenever the board of directors deems necessary; (v) when the board of supervisors so requests; (vi) other circumstances as provided for in the company’s articles of association.

The shareholders’ meeting 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 unable or fails to perform his duties, the vice chairman shall preside over the meeting. If the vice chairman is also unable or fails to perform 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 does not perform its duties to convene the shareholders’ meeting, the board of supervisors shall convene and preside over the meeting in a timely manner. If the board of supervisors fails to convene and preside over the meeting, shareholders holding 10% or more of the company’s shares for 90 consecutive days, alone or in combination, may unilaterally convene and preside over the shareholders’ meeting.

Under the Company Law, notice of a shareholders’ meeting shall state the meeting date, venue, and matters to be considered, and shall be delivered to all shareholders 20 days before the meeting. Notice of an extraordinary shareholders’ meeting shall be delivered to all shareholders 15 days before the meeting. Shareholders who individually or collectively hold more than 1% of the company’s shares may submit extraordinary proposals to the board of directors no later than 10 days before the shareholders’ meeting. The board of directors shall notify other shareholders within two days of receiving the extraordinary proposals and submit such proposals to the shareholders’ meeting for consideration. The contents of the extraordinary proposals must fall within the scope of the powers of the shareholders’ meeting, and must contain clear issues and specific resolutions. The shareholders’ meeting shall not make decisions on matters not specified in the notice.

The Company Law does not specify the quorum for a shareholders’ meeting. Under the Company Law, each shareholder present at the shareholders’ meeting has one vote for each share held, except for class shareholders. Shares held by the company do not carry any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law, resolutions of the shareholders' meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the merger, division, dissolution, liquidation or change in the form of the company; (iv) other matters considered by the shareholders' meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Meeting minutes shall be prepared for the matters discussed at the shareholders' meeting, and shall be signed by the chairman and directors present at the meeting. The minutes shall be kept together with the shareholders' attendance register and proxy forms.

10. Board of Directors

Under the Company Law, a joint stock limited company shall establish a board of directors. Where a company has 300 or more employees, the board of directors shall include employees' representatives, unless the company has established a board of supervisors that includes employees' representatives as required by law. The employees' representatives on the board of directors shall be democratically elected by the employees through the employees' representative congress, employees' congress, or by other means.

The term of office of a director shall be stipulated in the articles of association, but shall not exceed three years. A director may serve consecutive terms if re-elected. If re-election is not conducted in a timely manner upon the expiry of a director's term, or if the resignation of a director results in the number of directors falling below the quorum, the director shall continue to perform his duties in accordance with laws, administrative regulations, and the company's articles of association until a duly re-elected director takes office. A director's resignation shall be notified to the company in writing, and the resignation shall take effect on the date the company receives the notification. However, if the circumstances mentioned above occur, the director shall continue to perform his duties.

Under the Company Law, the board of directors is accountable to the shareholders' meeting and shall exercise the following powers: (i) to convene the shareholders' meetings and report on its work to the shareholders' meetings; (ii) to implement the resolutions passed by the shareholders' meetings; (iii) to decide on the company's business plans and investment proposals; (iv) to formulate the company's profit distribution proposals and loss recovery proposals; (v) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds; (vi) to prepare proposals for the merger, division, dissolution, and change in the form of the company; (vii) to decide on the establishment of the company's internal management structure; (viii) to decide on the appointment and removal of the company's manager and related matters concerning their remuneration, and based on the manager's nominations, to decide on the appointment and removal of deputy managers and financial officers and their related remuneration matters; (ix) to formulate the company's basic management system; and (x) to exercise any other powers stipulated in the company's articles of association or authorized by the shareholders' meeting.

Meetings of the board of directors shall be convened at least twice a year. Notice of the meeting shall be delivered to all directors and supervisors 10 days prior to the meeting. When shareholders representing more than 10% of the voting rights, more than one-third of the directors, or the board of supervisors jointly propose to convene an extraordinary board meeting, the chairman shall convene and preside over the meeting within 10 days after receiving such a proposal.

A board meeting shall only be held if more than half of the directors are present. Resolutions of the board of directors must be approved by more than half of all directors. For the voting of board resolutions, each director shall have one vote. Directors are required to attend board meetings in person. If a director is unable to attend, they may appoint another director by written proxy, specifying the scope of the authorization.

The board of directors shall prepare meeting minutes, which shall be signed by the directors attending the meeting. Directors shall be responsible for the resolutions passed by the board. If a resolution passed by the board violates the law, administrative regulations, the articles of association, or the resolutions of the shareholders' meeting, and causes significant losses to the company, the directors shall be liable for compensation. However, if a director can prove that they expressed dissent and that such dissent was recorded in the meeting minutes, they may be exempt from liability.

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and vice chairman shall be elected with the approval of more than half of all the directors. The chairman is responsible for convening and presiding over board meetings and overseeing the implementation of board resolutions. The vice chairman shall assist the chairman in performing his duties.

According to the Company Law, the following persons may not serve as a director of a company: (i) A person who is unable or has limited civil capacity; (ii) A person who has been convicted of offenses such as corruption, bribery, embezzlement, misappropriation of property, or the destruction of the socialist market economy order, or who has been deprived of political rights due to criminal conviction, where less than five years have elapsed since the completion of the sentence; or, in the case of a suspended sentence, less than two years have passed since the expiry of the probationary period; (iii) A person who has served as a director, factory manager, or general manager of a company or enterprise that has undergone bankruptcy liquidation and who was personally liable for the bankruptcy, where less than three years have passed since the completion of the bankruptcy liquidation; (iv) A person who has served as the legal representative of a company or enterprise whose business license has been revoked due to legal violations and has been ordered to cease operations, and who was personally responsible for the violations, where less than three years have passed since the revocation of the business license or the order for cessation of operations; or (v) A person who is liable for a significant amount of overdue debts and has been listed as a dishonest debtor subject to enforcement by the people's court.

11. Board of Supervisors

Under the Company Law, the company shall establish a board of supervisors, composed of no fewer than three supervisors. The members of the board of supervisors shall include representatives of the shareholders and employee representatives, with the proportion of employee representatives not being less than one-third, as stipulated in the company's articles of association. The employee representatives in the board of supervisors shall be democratically elected by the employees through the employees' representative congress, employees' general meeting, or by other means.

The chairman and vice chairman shall be elected by more than half of all the supervisors. Directors and senior management may not concurrently serve as supervisors.

The board of supervisors shall be convened and presided over by the chairman of the board of supervisors. In the event that the chairman is unable to perform or fails to perform his duties, the vice chairman shall convene and preside over the meetings. In the event that the vice chairman is unable to perform or fails to perform his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings.

Each term of office for a supervisor is three years, and supervisors may serve consecutive terms if re-elected. If re-election is not conducted in a timely manner upon the expiry of a supervisor's term, or if the resignation of a supervisor results in the number of supervisors falling below the quorum, the supervisor shall continue to perform his duties in accordance with the laws, administrative regulations, and articles of association until a newly elected supervisor takes office.

The board of supervisors shall hold at least one meeting every six months. According to the Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors.

The board of supervisors exercises the following powers: (i) to review the company's financial position; (ii) to supervise the directors and senior management in their performance of the company's duties, and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association, or the resolutions of the shareholders' meeting; (iii) when the actions of directors or senior management harm the company's interests, to require correction of those actions; (iv) to propose the convening of an extraordinary shareholders' meeting and to convene and preside over such meeting when the board of directors fails to perform the duty of convening and presiding over the shareholders' meeting under this law; (v) to initiate proposals for resolutions to the shareholders' meeting; (vi) to initiate proceedings against directors and senior management in accordance with relevant provisions of the Company Law; (vii) to exercise any other powers specified in the articles of association.

Supervisors may attend board meetings and raise inquiries or make suggestions regarding board resolutions. The board of supervisors may investigate any irregularities found in the company's operations and, if necessary, may engage an accounting firm to assist with the investigation, with the costs borne by the company.

A joint stock limited company may, under the articles of association, set up an audit committee composed of directors in the board of directors, which shall exercise the functions and powers of the board of supervisors as provided for in the Company Law. It may not have a board of supervisors. The audit committee shall be composed of at least 3 members, and more than half of the members shall not assume any position other than the director in the company and shall not have any relationship with the company that may affect their independent and objective judgments. Among the members of the board of directors of the company, an employees' representative may become a member of the audit committee. A resolution made by the audit committee shall be adopted by more than half of the members thereof. For voting on a resolution of the audit committee, each member shall have one vote. The discussion methods and voting procedures of the audit committee shall be prescribed in the articles of association, unless it is otherwise provided for by the Company Law.

12. Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors.

The manager shall be responsible to the board of directors and shall exercise his duties and powers in accordance with the provisions of the company's articles of association or the authorization of the board of directors.

The manager shall attend board meetings, but shall have no voting rights at the meetings unless he is also serving as a director.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

13. Responsibilities of Directors, Supervisors and Senior Management

Under the Company Law, directors, supervisors, and senior management shall comply with relevant laws, administrative regulations, and the articles of association, and shall perform their duties with loyalty and diligence. Directors, supervisors, and senior management personnel shall take measures to avoid conflicts of interest between their personal interests and the company's interests, and shall not use their positions to seek improper benefits. They have a duty of diligence to the company and shall perform their duties in a manner that is in the best interests of the company, acting with the reasonable care that is expected of an ordinary manager.

In addition, directors and senior management are prohibited from: (i) embezzling company property and misappropriating the company's funds; (ii) depositing the company's funds into accounts under their own name or the name of other individuals; (iii) utilizing their position to accept bribes or other illegal income; (iv) accepting and possessing commissions paid by a third party for transactions conducted with the company; (v) unauthorized disclosure of the company's business secrets; or (vi) engaging in other acts that violate their duty of loyalty to the company. A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be liable to compensate the company.

Directors, supervisors, or senior management shall attend shareholders' meetings and answer the inquiries from shareholders. Directors and senior management shall furnish relevant information and materials to the supervisors truthfully, without impeding the discharge of duties by the supervisors.

14. Finance and Accounting

Under the Company Law, the company shall establish financial and accounting systems in accordance with laws, administrative regulations, and the regulations of the financial department of the State Council. At the end of each financial year, the company shall engage an accounting firm to audit its financial statements. The company's financial and accounting report shall be prepared in accordance with the provisions of laws, administrative regulations, and the regulations of the financial department of the State Council. The company's financial and accounting report shall be made available for shareholder inspection at least 20 days before the annual shareholders' meeting. A joint stock limited company with publicly issued shares shall publish its financial and accounting report.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits into a statutory common reserve fund until the statutory common reserve fund reaches 50% or more of the company's registered capital. If the statutory common reserve fund is insufficient to make up losses from previous years, profits of the current year shall first be applied to make up the losses, then the statutory common reserve fund shall be allocated according to the above provision. After allocating the statutory common reserve fund from the after-tax profits, the company may, upon resolution by the shareholders' meeting, allocate discretionary common reserve fund from after-tax profits. The remaining after-tax profits, after making up the losses and allocating the discretionary common reserve fund, shall be distributed in proportion to the number of shares held by the shareholders, unless the articles of association stipulate otherwise, in which case the distribution may not be proportional.

If the shareholders' meeting or board of directors fails to make up losses and allocate the statutory common reserve fund as required above, and instead distributes profits to shareholders, such distribution of profits shall be refunded to the company. The company shall not distribute any profits on its own shares.

The company's reserve fund shall first be applied to make up losses of the company, expand its business operations, or be converted to increase the registered capital of the company. When utilizing the reserve fund to make up losses of the company, the statutory reserve fund should be used first; if the losses still cannot be made up, the capital reserve fund may be used in accordance with regulations. Upon the conversion of the statutory common reserve fund into increasing the registered capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books, and its assets shall not be deposited in any accounts opened in the name of any individual.

15. Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the company's audit shall be decided by the shareholders' meeting or board of directors in accordance with the provisions of the articles of association. When the shareholders' meeting or board of directors votes on the dismissal of the accounting firm, the accounting firm shall be allowed to present its opinions. The company shall provide the engaged accounting firm with true and complete accounting vouchers, books, financial and accounting reports, and other accounting data, without refusal, concealment, or misrepresentation. According to the Guidelines for Articles of Association, the company guarantees to provide the engaged accounting firm with true and complete accounting vouchers, accounting books, financial and accounting reports, and other accounting data, without refusal, concealment, or misrepresentation.

16. Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is drawn.

17. Amendment of the Articles of Association

Pursuant to the Company Law, a resolution to amend the company's articles of association must be passed by more than two-thirds of the shareholders with voting rights present at the shareholders' meeting.

According to the Guidelines for Articles of Association, the company may amend its articles of association in accordance with laws, administrative regulations, and the provisions of the articles. Any amendment to the articles of association that involves the contents of the Guidelines for Articles of Association shall be valid only after being approved by the company approval department authorized by the State Council and the securities regulatory authority of the State Council. Amendments to the articles of association involving company registration or changes in registration must be filed with the relevant authorities in accordance with the law.

18. Dissolution and Liquidation

According to the Company Law, a company may be dissolved for the following reasons: (i) the term of its existence specified in the articles of association has expired, or other dissolution events specified in the articles of association have occurred; (ii) the shareholders' meeting has resolved to dissolve the company; (iii) the company is dissolved due to merger or division; (iv) the business license is revoked, the company is ordered to cease operations or to be dissolved; or (v) the company is dissolved by the people's court upon the request of shareholders holding more than 10% of the voting rights of the company, on the grounds that the company's management has encountered significant difficulties that cannot be resolved through other means, and continuing to exist would cause significant losses to the shareholders.

In the event of (i) or (ii) above, and if no assets have been distributed to the shareholders, the company may continue its existence by amending its articles of association or by a resolution of the shareholders' meeting. The amendment of the articles of association or the resolution of the shareholders' meeting as per the above provisions must be approved by more than two-thirds of the voting rights represented by shareholders attending the shareholders' meeting.

Where the company is dissolved due to the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established, and the liquidation process shall begin within 15 days after the occurrence of the dissolution event. The liquidation group shall be composed of directors, unless the articles of association of the company provide otherwise, or the shareholders' meeting resolves to elect others. If the liquidation obligor fails to fulfill its liquidation duties in a timely manner and causes losses to the company or creditors, it shall be liable for compensation. If the liquidation group is not established within the statutory period or if it fails to carry out liquidation after its establishment, interested parties may apply to the people's court to appoint relevant personnel to form a liquidation group to carry out the liquidation. The people's court shall accept such an application and promptly establish a liquidation group to proceed with the liquidation.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices within 60 days in newspapers or the National Enterprise Credit Information Publicity System. Creditors shall submit their claims to the liquidation group within 30 days after receiving notification or within 45 days of the public notice if no notification was received. Creditors must state all matters related to their claims and provide evidence. The liquidation group shall register the claims. During the claim filing period, the liquidation group shall not make any debt payments to creditors.

After completing the property liquidation and preparing the balance sheet and asset inventory, the liquidation group shall formulate a liquidation plan to be submitted for confirmation to the shareholders' meeting or the people's court.

After the payment of liquidation expenses, wages, social insurance expenses, statutory compensation, overdue taxes, and the settlement of company debts, the remaining assets of the company shall be distributed to shareholders in proportion to their shareholding. During the liquidation period, the company continues to exist, but may only engage in activities related to the liquidation. The company's assets shall not be distributed to shareholders before repayments are made in accordance to the foregoing provisions.

If, upon liquidation of the company's property and preparation of the balance sheet and inventory, the liquidation group finds that the company's assets are insufficient to cover its debts, it must apply to the people's court for bankruptcy liquidation. Once the people's court accepts the bankruptcy application, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator appointed by the court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' meeting or the people's court for verification and submit the report to the company registration authority to handle the cancellation of the company's registration. Members of the liquidation group, when performing their duties, shall act with loyalty and diligence. If members of the liquidation group fail to fulfill their liquidation duties, causing losses to the company, they shall be liable for compensation. If the members of the liquidation group cause losses to the company or its creditors due to intentional or gross negligence, they shall be liable for compensation to the company and its creditors.

19. Overseas Listing

According to the Trial Measures, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

20. Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES REGULATIONS

The PRC has promulgated a series of regulations governing the issue, trading and disclosure of information in respect of company shares. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was 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 nationwide, and administering the CSRC. As the regulatory authority of the Securities Committee, the CSRC was responsible for drafting regulatory provisions for the securities market, supervising securities companies, regulating [REDACTED] of securities by PRC enterprises both inside and outside the PRC, administering securities trading, compiling securities-related statistics and conducting relevant research and analysis. In 1998, the State Council abolished the Securities Committee, whose functions were assumed by the CSRC.

The Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The latest revised version of the Securities Law has been implemented since March 1, 2020. As the first national securities law in the PRC that comprehensively regulates activities in the domestic securities market, the Securities Law is divided into 14 chapters with 226 articles, covering the issue and trading of securities, takeovers of listed companies, securities exchanges, securities companies, securities registration and settlement institutions, as well as the duties and obligations of securities regulatory authorities. Article 224 of the Securities Law provides that domestic enterprises shall comply with the relevant requirements specified by the State Council when directly or indirectly issuing or listing securities outside the PRC. Currently, the issue and trading of shares (including H shares) outside the PRC are governed by the laws 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 (the "**Arbitration Law**") was promulgated by the Standing Committee of the National People's Congress on August 31, 1994, came into force on September 1, 1995, was most recently revised on September 12, 2025, and has come into force on March 1, 2026. This Law applies where parties have agreed in writing to resolve disputes arising from contractual and other property relationships by arbitration administered by an arbitration commission established in accordance with this Law. The Arbitration Law provides that an arbitration commission may formulate arbitration clauses with reference to the Model Arbitration Regulations promulgated by the China Arbitration Association, in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have concluded an arbitration agreement, the people's court shall refuse to accept any lawsuit filed by a party with such people's court, unless the arbitration agreement is held to be invalid.

Pursuant to the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding. After an arbitral award is rendered, neither an arbitration commission nor a people's court shall accept any arbitration application or lawsuit filed by a party with a people's court in respect of the same dispute. Where a party fails to perform an arbitral award, the other party to the award may apply to a people's court for compulsory enforcement of such arbitral award. However, a people's court may dismiss an application for enforcement of an arbitral award rendered by an arbitration commission if there are circumstances constituting a violation of arbitration procedures in respect of such award, including but not limited to irregularities in the composition of the arbitral tribunal, matters arbitrated exceeding the scope of the arbitration agreement, or the arbitration commission having no jurisdiction to accept the arbitration case.

A party seeking to enforce an arbitral award rendered by a PRC arbitration tribunal against a person or property located outside the territory of the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award rendered by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principle of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") on December 2, 1986, which entered into force for the PRC on that very date. The New York Convention provides that all arbitral awards rendered in a Contracting State to the Convention shall be recognized and enforced by all other Contracting States to the Convention, subject to the right of each Contracting State to refuse enforcement under certain circumstances, including where the enforcement of such arbitral award is contrary to the public policy of the State where the application for enforcement is filed. The Standing Committee of the National People's Congress made the following declarations simultaneously with the PRC's accession: (i) the PRC shall recognize and enforce foreign arbitral awards only on the basis of the principle of reciprocity; and (ii) the PRC shall apply the New York Convention only to disputes that are determined under PRC laws to arise from contractual and non-contractual commercial legal relationships.

An arrangement has been reached between Hong Kong and the Supreme People's Court concerning the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on 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 came into force on February 1, 2000 and was further revised by the Supplemental Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (2020) (《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(2020)》). Pursuant to this arrangement, awards rendered by mainland PRC arbitration bodies in accordance with the Arbitration Law may be enforced in Hong Kong, and Hong Kong arbitral awards may likewise be enforced in the mainland PRC.

JUDICIAL JUDGMENTS AND THEIR ENFORCEMENT

Pursuant to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《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當事人協議管轄的民商事案件判決的安排》) (the "**Former Arrangement**"), which was promulgated by the Supreme People's Court on July 3, 2008, implemented on August 1, 2008 and has since become invalid, in respect of enforceable final judgments involving monetary payment rendered by the people's courts of the PRC or the courts of the Hong Kong Special Administrative Region in civil and commercial cases with a written jurisdiction agreement, any party concerned may apply to the people's courts of the PRC or the courts of Hong Kong for recognition and enforcement in accordance with this Arrangement. A "written jurisdiction agreement" refers to a written agreement whereby the parties concerned explicitly agree that the people's courts of the PRC or the courts of Hong Kong shall have exclusive jurisdiction for the purpose of resolving disputes arising or likely to arise from a specific legal relationship between them. Therefore, a party concerned may apply to the people's courts of the PRC or the courts of Hong Kong for recognition and enforcement of any enforceable final judgment rendered in the PRC or Hong Kong that satisfies the specific conditions set out in the aforementioned provisions.

On January 18, 2019, the Supreme People's Court of the People's Republic of China and the Government of the Hong Kong Special Administrative Region signed the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《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》) (the "**New Arrangement**"). The New Arrangement has replaced the Former Arrangement and is intended to establish a clearer and more certain mechanism for the recognition and enforcement of judgments in a broader range of civil and commercial matters between Hong Kong and the Mainland of the PRC. The New Arrangement has removed the requirement to conclude a choice-of-court agreement for the mutual recognition and enforcement of judgments. The New Arrangement came into force on January 29, 2024.