This Appendix sets forth summaries of certain aspects of the PRC laws and regulations which are relevant to the Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III — Taxation and Foreign Exchange".

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (2018 Revision) (《中華人民共和國憲法》(2018修正) (the "Constitution") amended by the NPC on 11 Mach 2018 and came into effect on the same date, and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts may be used as judicial reference and guidance. However, they do not constitute binding precedents.

According to the Constitution and the Legislation Law of the PRC (2023 Revision) (《中華人民共和國立法法》(2023修正) (the "Legislation Law") amended by the NPC on 13 Mach 2023 and came into effect on 15 Mach 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 civil and criminal 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 NPC may authorize the SCNPC to enact relevant laws.

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 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 do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

In light of the specific circumstances and actual needs of a city with districts, the People's congress of the city with districts and its standing committee may formulate local regulations concerning matters of urban and rural construction and management, ecological civilization development, historical and cultural protection and grassroots governance, provided that such local regulations are not in conflict with the Constitution, laws, administrative regulations and the local regulations of the province or autonomous region in which the city with districts is located. The provisions otherwise prescribed by law on the matters for which cities with districts may formulate local regulations shall prevail. The local regulations of a city with districts shall be implemented after being reported to the standing committee of the People's congress of the province or autonomous region in which the said city is located for approval. The standing committee of the People's congress of the said province or autonomous region shall review the legality of the local regulations submitted thereto for approval, and grant approval within four months as long as such local regulations are not in conflict with the Constitution, laws, administrative regulations and the local regulations of the province or autonomous region.

The People's governments of the provinces, autonomous regions, and municipalities directly under the central government and a city with districts may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

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

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

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the 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》) issued and became effective on 10 June 1981, the Supreme People's Court of the PRC (the "Supreme People's Court") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 Revision) (《中華人民共和國法院組織法(2018修訂)》) amended by the SCNPC on 26 October 2018 and came into effect on 1 January 2019, the PRC judicial system is made up of the Supreme People's Court, the local People's courts, military courts and other special People's courts.

Local people's courts at all levels are composed of primary people's courts, intermediate people's courts and higher people's courts. The primary people's courts may set up civil, criminal and economic tribunals. The intermediate people's court has similar structure with the primary people's court, and can set up other tribunals, such as intellectual property tribunal when necessary. Special people's courts include military courts, maritime courts, intellectual property courts, financial courts, etc.

The higher level of people's court supervises the trial work of the people's court at a lower level. The people's Procuratorate also has the right to exercise legal supervision over the proceedings of the people's court at the same level or at a lower level. The Supreme People's Court is the highest judicial organ in China and supervises the trial work of local people's courts at all levels and special people's courts.

The People's courts apply a two-tier appellate system. A party may appeal against a judgment or order of a local People's court to the People's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a People's court at a higher level finds an error in a judgment which has been given in any People's court at a lower level, or the presiding judge of a People's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law of the PRC (2023 Revision) (《中華人民共和國民事訴訟法(2023年修正)》) (the "Civil Procedure Law"), which was adopted on 9 April 1991, last amended on 1 September 2023 and came into effect on 1 January 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 enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of the PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. 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 the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a People's court against a party who is not personally or whose property is 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 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 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 against social and public interest.

THE COMPANY LAW, OVERSEAS LISTING PROVISIONAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION OF LISTED COMPANIES

A joint stock limited company established in the PRC seeking a listing on the SEHK is mainly subject to the following laws and regulations of the PRC.

The Company Law of the PRC was passed by the Standing Committee of the Eighth NPC on 29 December 1993 and came into effect on 1 July 1994. It was successively amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023. The revised Company Law of the PRC (the "Company Law") came into effect on 1 July 2024.

Overseas Listing Provisional Measures and five relevant guidelines are designated in accordance with the Securities Law of the PRC (《中華人民共和國證券法》) (the "Securities Law") and other laws and are applicable to domestic enterprises that issue securities overseas or list their securities for trading. According to the Guidelines for the Applications of Regulatory Rules — Overseas Issuance and Listing Category No. 1 (《監管規則適用指引—境外發行上市類第1號》) promulgated by the CSRC on 17 February 2023 and came into effect on the same date, direct issuance and listing by domestic companies shall abide by the relevant provisions of the Overseas Listing Provisional Measures and refer to the Guidelines for Articles of Association of Listed Companies (2025) (《上市公司章程指引(2025)》) (the "Guidelines for Articles of Association of Listed Companies") amended and effective on 28 March 2025 by the CSRC and other relevant provisions of CSRC on corporate governance to formulate its articles of association and standardize corporate governance.

Set out below is a summary of the provisions of the Company Law, the Overseas Listing Provisional Measures and the Guidelines for Articles of Association of Listed Companies applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with independent legal person properties and entitlements to such legal person properties. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

Incorporation

A joint stock limited company may be incorporated by promotion or public 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. Companies incorporated by promotion are companies with the total number of shares entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for part of the total number of shares of a company, and the remaining shares can be offered to the public or specific persons. If companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and administrative regulations.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 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. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors of the company will be dealt with.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business licence has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated, (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated, and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on 22 April 1993 and became effective on the same date (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on this document to ensure that this document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into 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 on the same conditions and at the same price. The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

A company that seeks to offer and list securities in overseas markets, is required to fulfill the filing procedure with the CSRC and report relevant information. Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Under the Company Law, a joint stock limited company shall maintain a shareholder register which sets forth the following matters: (1) the name and domicile of each shareholder; (2) the type and quantity of subscribed shares for each shareholder; (3) for stocks issued in paper form, the serial numbers of stocks; (4) the date on which each shareholder acquired the shares.

Increase of share capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' meeting, approving the type and number of the new shares, the issuing price of the new shares, the commencement and ending dates for the new shares and the class and number of new shares to be issued to existing shareholders. To offer shares overseas, the domestic company shall file with the CSRC within three business days after submission of the application documents for offering and listing overseas.

Reduction of share capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper or the National Enterprise Credit Information Publicity System within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it shall apply to the relevant administration of industry and commerce for the registration of the reduction in registered capital.

Repurchase of shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital, (ii) to merge with another company that holds its shares, (iii) to acquire its shares for employee stock ownership plans or equity incentives, (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' meeting and require the company to acquire its shares, (v) to use shares for conversion of convertible corporate bonds issued by a listed company, and (vi) to maintain corporate value and protect shareholders' equity of a listed company when necessary.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be cancelled within 10 days from the date of purchase in the case of (i) above and transferred or cancelled within six months in the case of (ii) or (iv) above. Shares acquired in accordance with (iii), (v) and (vi) above shall not exceed 10% of the total number of the company's issued shares, and the shares so acquired shall be transferred or deregistered within three years.

Repurchase of the Company's shares by a listed company shall perform the obligation of information disclosure in accordance with the Securities Law. A listed company purchasing the Company's shares under any of the circumstances set forth in items (iii), (v) and (vi) of this article shall carry out trading in a public and centralized manner. The Company shall not accept its own shares as the subject of a pledge.

Transfer of shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Under the Company Law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the Company Law and the Guidelines for Articles of Association of Listed Companies, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, minutes of shareholders' meetings, resolutions of meetings of the board of directors, and financial and accounting reports and to make proposals or enquiries on the company's operations;
- the right to bring an action in the People's court to rescind resolutions passed by shareholders' meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' meetings

The shareholders' meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law and the Guidelines for Articles of Association of Listed Companies, the shareholders' meeting exercises the following principal powers:

- to elect or remove the directors and to decide on matters relating to the remuneration of directors;
- to examine and approve reports of the board of directors;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company, or change of the company's legal form;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual meetings are required to be held once every year. Under the Company Law and the Guidelines for Articles of Association of Listed Companies, an extraordinary shareholders' meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary shareholders' meeting;
- whenever the board of directors deems necessary;
- when the audit committee so requests; or
- other circumstances as provided for in the articles of association.

Under the Company Law and the Guidelines for Articles of Association of Listed Companies, shareholders' 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 does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' meeting, the audit committee shall convene and preside over such meeting in a timely manner. In case the audit committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's meetings shall be given to all shareholders 15 days prior to the meeting.

Under the Company Law, shareholders present at shareholders' meeting have one vote for each share they hold, save that shares held by the company are not entitled to 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 at the shareholders' meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors 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 issue of any types of shares, warrants or other similar securities, (iv) the issue of debentures, (v) the merger, division, dissolution, liquidation or change in the form of the company, (vi) 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.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of over 3 members. In a joint stock limited company with more than 300 employees, unless a board of supervisors is established in accordance with the law and includes employee representatives, the board of directors shall include employee representatives among its members, employee representatives shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law and the Guidelines for Articles of Association of Listed Companies, the board of directors mainly exercises the following powers:

- to convene the shareholders' meetings and report on its work to the shareholders' meetings;
- to implement the resolutions passed in shareholders' meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to decide on the company's internal management structure;
- to decide the appointment or dismissal and the remuneration of the company's general manager and based on the general manager's nomination, to appoint or dismiss the deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board meetings

Under the Company Law and the Guidelines for Articles of Association of Listed Companies, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the audit committee. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors.

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 sustains serious losses, the directors participating in the resolution are 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 released from that liability.

Qualification of directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been sentenced for embezzlement, bribery, misappropriation of property, diversion of funds, or disrupting the socialist market economic order, or who has been deprived of political rights due to a criminal offense, and for whom five years have not elapsed since the completion of the sentence or the deprivation of rights, or who has been given a suspended sentence and for whom two years have not elapsed since the expiry of the probation period;
- a person who served as a director, factory director, or manager of a company or enterprise undergoing bankruptcy liquidation and bears personal liability for the bankruptcy, where three years have not elapsed since the completion of the liquidation;
- a person who served as the legal representative of a company or enterprise whose business license was revoked or which was ordered to close due to violations of law, and who bears personal liability for such circumstances, where three years have not elapsed since the date of the license revocation or closure order; or
- a person who is liable for a relatively large amount of debts that are overdue.

In addition, the Guidelines for Articles of Association of Listed Companies further stipulates other circumstances under which a person may not serve as a director of a company, including: (1) a person who has been subjected to a securities market ban by the China Securities Regulatory Commission and whose ban period has not yet expired; or (2) a person who has been prohibited from serving as directors under other laws, administrative regulations, or departmental rules.

Audit committee

A joint stock limited company may, in accordance with its articles of association, instead of having set up a board of supervisors or having supervisors, establish an audit committee which comprises directors of the board of directors and exercises the functions and powers of the board of supervisors as provided for in the Company Law. The audit committee shall consist of over three members, a majority of whom shall not hold any position in the company other than that of director, and shall not have any relationship with the company that may affect their independent and objective judgement. Any employee representative on the board of directors of a company can serve as a member of the audit committee.

Manager and senior management

According to the Company Law, a joint-stock company shall have a manager, who is appointed or dismissed by the board of directors. The manager is accountable to the board of directors and exercises his or her powers in accordance with the articles of association of the company or the authorization of the board of directors. The manager shall attend meetings of the board of directors in a non-voting capacity.

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.

Duties of directors and senior management

Directors and senior management personnel owe a duty of loyalty to the company. They shall take measures to avoid conflicts between their personal interests and those of the company, and shall not use their authority to seek improper gains. Directors and senior management personnel owe a duty of diligence to the company. In performing their duties, they shall exercise the level of reasonable care that is ordinarily required of managers, in the best interests of the company. Directors and senior management are prohibited from:

- misappropriating company property or diverting company funds;
- opening an account in their own name or in the name of another individual to deposit company funds;

- using their authority to offer or accept bribes or to obtain other illegal income;
- accepting commissions from transactions conducted with the company and keeping them for themselves;
- disclosing company secrets without authorization;
- other acts in violation of the duty of loyalty to the company.

Income generated by directors or senior management in violation of the aforementioned shall be returned to the company.

Where directors or senior management personnel, in performing their duties, violate the provisions of laws, administrative regulations, or the company's articles of association and cause losses to the company, they shall bear liability for compensation.

Finance and accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law.

When distributing the net profit of the current year, a company shall allocate 10% of the profit to the company's statutory reserve. If the cumulative amount of the company's statutory reserve reaches 50% or more of the company's registered capital, further allocation is not required. If the company's statutory reserve is insufficient to cover losses from previous years, the current year's profit shall first be used to offset such losses before allocating the statutory reserve in accordance with the preceding provision.

The net profit remaining after covering losses and allocating the statutory reserve shall be distributed by a joint-stock company to its shareholders in proportion to their shareholdings, unless otherwise provided in the articles of association. Shares held by the company itself shall not be entitled to profit distribution.

The premium received through issuance of shares of the company at prices above par value and other incomes required by the financial authorities of the State Council to be allocated to capital reserve shall be allocated to the company's capital reserve. The company's capital reserve fund are used to make up for the company's losses, to expand the company's production and operations, or to increase the company's registered capital. The capital reserve fund, however, shall not be used to make up the company's losses. Upon the conversion of statutory reserve into capital, the balance of the statutory reserve 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. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and retirement of accounting firms

Pursuant to the Company Law, the appointment or dismissal of the accounting firm undertaking the company's audit shall be decided by the shareholders' meeting or the board of directors in accordance with the company's articles of association. When the shareholders' meeting or the board of directors votes on the dismissal of an accounting firm, the firm shall be allowed to present its opinions.

Amendments to articles of association

According to the Company Law, a resolution at a shareholders' meeting to amend a company's articles of association shall be passed by more than two-thirds of the shareholders with voting rights who attend the meeting. According to the Guidelines for the Articles of Association of Listed Companies, if the amendments to the articles of association approved by the resolution of the shareholders' meeting are subject to the approval by the competent authority, they must be reported to the competent authority for approval; if they involve company registration matters, the modification registration shall be handled according to law. Where the amendments to the articles of association belong to information required to be disclosed by laws and regulations, such amendments shall be announced in accordance with the regulations.

Dissolution and liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred, (ii) the shareholders' meeting have resolved to dissolve the company, (iii) the company is dissolved by reason of merger or division, (iv) the business licence is revoked, the company is ordered to close down or be dissolved, or (v) the company is dissolved by the People's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) and (ii) above, provided that the company has not yet distributed its assets to shareholders, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

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

- handling the company's assets and to prepare a balance sheet and a list of assets;
- notifying creditors through notice or public announcement;
- dealing with the company's outstanding businesses related to liquidation;
- paying taxes owed and taxes incurred during the liquidation process;
- claiming credits and pay off debts;
- handling the company's remaining assets after its debts have been paid off; and
- representing the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices on newspapers or the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and the list of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' meeting or People's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and the list of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the People's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the administrator designated by the People's court.

After the company's liquidation is completed, the liquidation group shall prepare a liquidation report, submit it to the shareholders' meeting or the people's court for confirmation, and submit it to the company registration authority to apply for the cancellation of the company's registration.

Overseas listing

Pursuant to the Overseas Listing Provisional Measures, both initial public offerings or listings in overseas markets shall be filed with the CSRC within three business days after the relevant application is submitted overseas. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Moreover, where the filing documents are complete and in compliance with stipulated requirements, the CSRC will, within twenty business days after receiving the filing documents, conclude the filing procedure and publish the filing results on the CSRC's website. Where the filing documents are incomplete or do not conform to stipulated requirements, the CSRC shall request supplementation and amendment thereto within five business days after receiving the filing documents. The issuer shall then complete supplementation and amendment within thirty business days.

Loss of share certificates

If a registered share certificate is stolen, lost, or destroyed, the shareholder may, in accordance with the publicity and summons procedures stipulated in the Civil Procedure Law, apply to the people's court for a declaration that such shares are invalid. After the people's court declares the shares invalid, the shareholder may apply to the company for reissuance of the share certificate.

Merger and demerger

According to the Company Law, in the case of a merger, a merger agreement shall be signed by all parties, and they shall prepare their balance sheets and inventory of assets. The company shall notify its creditors within 10 days upon the date of passing of the resolution which approves the merger, and announce the merger on a newspaper within 30 days. A creditor may request the company to settle any outstanding debts or provide guarantees accordingly within 30 days upon receipt of the notification, or within 45 days of the date of the announcement if he/she/it has not received any notification. Where companies merge, the credits and debts of the merging parties shall be assumed by the surviving company or the new company upon merging.

In case of a division, the company's assets shall be divided accordingly. The debts of the company which have accrued prior to the division shall be jointly borne by the divided companies, unless it is otherwise agreed by way of an agreement in writing with the creditors in respect of the settlement of debts before the company's division.

Changes in registration as a result of a merger or division shall be completed with a relevant registration authority in accordance with the laws. Where a company is dissolved or a new company is established, company deregistration or company registration shall be completed respectively in accordance with the laws.

SECURITIES LAW AND REGULATIONS

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

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

The Securities Law was promulgated by the SCNPC on 29 December 1998 and took effect on 1 July 1999 and was revised on 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the Securities Law provides that domestic enterprises shall obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "Arbitration Law") was passed by the SCNPC on 31 August 1994, became effective on 1 September 1995 and was amended on 27 August 2009, 1 September 2017, and 12 September 2025 respectively and the latest revision of which will be implemented on 1 March 2026. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the People's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the People's court for enforcement. A People's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of the PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on 10 June 1958 pursuant to a resolution of the the SCNPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the The SCNPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under the PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On 18 June 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on 1 February 2000. On 26 November 2020, the Supreme People's Court adopted the Supplementary Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong (《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》), which was implemented on 27 November 2020. In accordance with these arrangements, awards made by the PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.