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## APPENDIX IV PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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This appendix summarizes certain aspects of the laws and regulations of the People’s Republic of China (“PRC”) relevant to the Company’s business operations. Taxation-related laws and regulations are addressed separately in “Taxation and Foreign Exchange” in Appendix III. This appendix also includes a summary of key provisions under the PRC Company Law. The primary objective is to provide [REDACTED] with an overview of the principal laws and regulatory provisions applicable to the Company. This summary does not purport to be exhaustive. For further details, refer to “Regulatory Overview”.

### THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (the “**Constitution**”), and comprises written laws, administrative regulations, local regulations, departmental rules, local government rules, autonomous regulations, special administrative region laws, international treaties, and other regulatory documents. Court decisions are not binding precedents but serve as judicial references.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the “**Legislation Law**”), which was amended by the NPC on March 13, 2023 and became effective on March 15, 2023, the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council, as the highest state administrative organ, formulates administrative regulations. Local people’s congresses and their standing committees at various levels may enact local regulations based on their specific circumstances and actual needs, provided these do not contravene the Constitution, laws, or administrative regulations.

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

The NPC has the power to alter or annul inappropriate laws enacted by the SCNPC. The SCNPC may annul administrative regulations, local regulations, autonomous regulations, and separate regulations that contravene the Constitution or laws. The State Council may alter or annul inappropriate ministerial and local government rules. Corresponding local people’s congresses and governments have similar powers regarding regulations and rules under their jurisdiction.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC and effective on June 10, 1981, the Supreme People’s Court shall give interpretation on questions involving the specific application of laws and decrees in court trials. The Supreme People’s Procuratorate shall

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## APPENDIX IV PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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interpret all issues involving the specific application of laws and decrees in the procuratorial work. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities.

Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people’s congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people’s governments of provinces, autonomous regions and municipalities.

### PRC JUDICIAL SYSTEM

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

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

The PRC Civil Procedure Law (revised September 1, 2023, effective January 1, 2024) governs civil actions, including jurisdiction, procedures, and enforcement. Jurisdiction generally lies with the court where the defendant is located, but parties may agree in writing on a court connected to the dispute, subject to statutory restrictions on jurisdiction.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法(2023年修訂)》) (the “**PRC Civil Procedure Law**”), adopted by the SCNPC on September 1, 2023 and effective on January 1, 2024 sets forth the requirements for instituting a civil action, the jurisdiction of the people’s courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Civil cases are generally heard by the courts where the defendants are located. The court of jurisdiction in a civil action may be chosen by express agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff’s or the defendant’s place of domicile, the place where the contract is performed or signed or the object of the action is located. However, the choice of the court cannot be in conflict with the regulations of different jurisdictions and exclusive jurisdictions in any case.

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## APPENDIX IV PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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Foreign parties have equivalent litigation rights and obligations. If a foreign court restricts the litigation rights of PRC entities, reciprocal restrictions may apply. Foreign parties must engage PRC lawyers for litigation in PRC courts. International judicial assistance is available based on treaties or reciprocity, unless it violates PRC sovereignty, security, or public interest.

Legally effective civil judgments and arbitral awards must be complied with. Enforcement must be applied for within two years. Foreign judgments may be recognized and enforced by PRC courts based on international treaties or the principle of reciprocity, subject to exceptions including violation of basic legal principles, sovereignty, security, or public interest.

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

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

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

The Trial Measures and the Filing Rules promulgated by the CSRC on February 17, 2023 came into effect on March 31, 2023 and were applicable to the direct and indirect overseas share subscription and listing of domestic companies.

According to the Trial Measures and its interpretative guidelines, where a domestic company directly offers and list overseas, it shall formulate its articles of association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “**Guidelines for Articles of Association**”), in place of the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) which ceased to apply from March 31, 2023. The Guidelines for Articles of Association were promulgated by the CSRC on December 16, 1997 and last amended on March 28, 2025.

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

#### General Provisions

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

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises.

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## **APPENDIX IV                      PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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### **Incorporation**

A company may be established by promotion or share offering, by 1 to 200 promoters, at least half of whom must reside in the PRC. An inaugural meeting must be convened within 30 days after capital contribution, requiring attendance by promoters and subscribers representing over 50% of shares. Resolutions require approval by subscribers holding over 50% of the voting rights present. The company is formally established upon issuance of a business license after application by the Board of Directors.

### **Registered Shares**

Capital contributions can be in cash or legally transferable non-monetary property. Overseas-listed domestic enterprises may raise funds and distribute dividends in foreign currencies or Renminbi. A company must maintain a shareholder register.

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

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

Domestic enterprises issuing and listing overseas shall file with the CSRC in accordance with Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

### **Increase in Share Capital**

Under the PRC Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the Shareholders' Meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to existing shareholders, if any. Additionally, if a company intends to make public offering of shares, it is required to complete the registration with the securities regulatory authority of the State Council and announce the document.

### **Reduction of Share Capital**

Procedures include: preparing a balance sheet and asset list; shareholders' meeting resolution; notifying creditors within 10 days and making an announcement within 30 days; handling creditor claims; and registering changes with the company registration authority. Capital reduction is typically proportional to shareholdings.

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## APPENDIX IV PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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### Repurchase of Shares

Under the PRC Company Law, a company shall not purchase its own shares. Except for the following circumstances:

- (i) reducing the registered capital;
- (ii) merging with other company that holds the shares of the company;
- (iii) using the shares for employee stocks plan or equity incentives;
- (iv) with respect to shareholders voting against any resolution adopted at the Shareholders' Meeting on the merger or division of the company, the right to demand the company to acquire the shares held by them;
- (v) using the shares for the conversion of convertible corporate bonds issued by the company;
- (vi) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

The purchase of shares of a company for reasons specified in the case of (i) to (ii) above shall be subject to the resolution of the meeting; the purchase of shares of a company for reasons specified in the case of (iii), (v) and (vi) above shall be subject to the resolution of the Board of Directors meeting attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or the authorization from the meeting.

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

### Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the PRC Company Law, a shareholder should affect a transfer of his shares on an established securities exchange according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. No changes of registration in the share register provided in the foregoing requirement shall be affected during a period of 20 days prior to the convening of shareholder's meeting or 5 days prior to the record date for a company's distribution of dividends. If any law, administrative regulation, or any provision by the securities regulatory authority of the State Council specifies otherwise for the modification of the register of shareholders of a listed company, such provisions should prevail.

Under the PRC Company Law, shares issued by a company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of a company are listed and traded on a securities exchange. The directors, supervisors and senior management of the company

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## APPENDIX IV PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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should declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year should not exceed 25% of the total shares they hold of the company. Shares of a company held by its directors, supervisors and senior management shall not be transferred within one year from the date of a company's listing on a securities exchange, nor within six months after their resignation from their positions with a company.

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

### Shareholders

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

- (i) to receive dividends and other forms of interest distribution according to the number of shares held;
- (ii) to legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the Shareholders' Meeting and exercise corresponding voting rights;
- (iii) to supervise business operations of the company, provide suggestions or submit queries;
- (iv) to transfer, grant or pledge the Company's shares held according to the provisions of the laws, administrative regulations and the Articles of Association;
- (v) to read and copy the Articles of Association, the register of Shareholders, Shareholders' Meeting minutes, resolutions of meetings of the Board of Directors, resolutions of meetings of the Supervisory Committee and financial and accounting reports;
- (vi) shareholders who hold more than 3% of the company's shares individually or collectively for more than 180 consecutive days may inspect the company's accounting books and accounting vouchers as required by laws;
- (vii) to participate in the distribution of the remaining assets of the company according to the proportion of shares held upon our termination or liquidation;
- (viii) to require the company to acquire the shares from Shareholders voting against any resolutions adopted at the Shareholders' Meeting concerning the merger and division of the Company;
- (ix) other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules where the company's shares are listed, or the Articles of Association.

The obligations of a shareholder of a company include:

- (i) to abide by laws, administrative regulations and the Articles of Association;
- (ii) to provide Share capital according to the Shares subscribed for and Share participation methods;

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## APPENDIX IV PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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

### Shareholders' Meetings

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

- (i) electing and replacing directors and supervisors and deciding on their remunerations;
- (ii) deliberating on and approving the reports of the Board of Directors;
- (iii) deliberating on and approving the reports of the Supervisory Committee;
- (iv) deliberating on and approving the plans for profit distribution and making up losses of the company;
- (v) making resolutions on the increase or decrease of the registered capital of the company;
- (vi) making resolutions on the issuance of corporate bonds;
- (vii) making resolutions on the merger, division, dissolution, liquidation or change of corporate form of the company;
- (viii) amending the articles of association; and
- (ix) other functions and powers as prescribed in the articles of association.

Under the PRC Company Law, annual Shareholders' Meetings are required to be held once every year. An extraordinary Shareholders' Meeting is required to be held within two months after the occurrence of any of the following circumstances:

- (i) the number of directors is less than the number stipulated in the PRC Company Law or less than two-thirds of the number specified in the articles of association;
- (ii) when the unrecovered losses of a company amount to one-third of the share capital;
- (iii) shareholders individually or jointly holding 10% or more of the company's shares request;
- (iv) when deemed necessary by the Board of Directors;
- (v) the Supervisory Committee proposes to convene the meeting;

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## APPENDIX IV PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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(vi) other circumstances as stipulated in the articles of association.

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 incapable of performing or not performing 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.

If the Board of Directors is incapable of performing or is not performing its duties to convene the Shareholders' Meeting, the Supervisory Committee should convene and preside over Shareholders' Meeting in a timely manner. If the Supervisory Committee fails to convene and preside over Shareholders' Meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over Shareholders' Meeting.

If the shareholders who separately or aggregately hold more than 10% of the shares of the company request to convene an interim Shareholders' Meeting, the Board of Directors and the Supervisory Committee should, within 10 days after the receipt of such request, decide whether to hold an interim Shareholders' Meeting and reply to the shareholders in writing.

Notice of 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. A notice of extraordinary meeting shall be given to all shareholders 15 days prior to the meeting.

Shareholders who individually or jointly hold more than 1% of the company's shares may put forward interim proposals and submit them to the convener in writing 10 days before Shareholders' Meeting. The convener shall issue a supplementary notice of Shareholders' Meeting within two days after receiving the proposal and announce the contents of the interim proposal.

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

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

The cumulative voting system may be adopted for the election of directors and supervisors at the Shareholders' Meeting in accordance with the provisions of the articles of association or the resolutions of the Shareholders' Meeting. Under the accumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the Shareholders' Meeting, and shareholders may consolidate their voting rights when casting a vote.

Under the PRC Company Law and the Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the Shareholders' Meeting. Matters relating to merger,

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## APPENDIX IV PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

### Directors

Under the PRC Company Law, a joint stock limited company should have a Board of Directors, but a company with a small scale or a small number of shareholders can not have a Board of Directors. A Board of Directors should consist of more than three members. The term of office of a director shall be stipulated in the articles of association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the Board of Directors shall be convened at least twice a year. All directors and supervisors shall be noticed 10 days before the meeting for every meeting. The Board of Directors exercises the following functions and powers:

- (i) to convene Shareholders' Meeting and report its work to the Shareholders' Meeting;
- (ii) to implement the resolutions of the Shareholders' Meeting;
- (iii) to decide on a company's business plans and investment plans;
- (iv) to formulate a company's profit distribution plan and loss recovery plan;
- (v) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds;
- (vi) to formulate plans for merger, division, dissolution or change of corporate form of a company;
- (vii) to decide on the internal management structure of a company;
- (viii) to decide on the appointment or dismissal of the manager of a company and their remuneration; to decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration;
- (ix) to formulate a company's basic management system;
- (x) other functions and powers specified in the articles of association or granted by the Shareholders' Meeting.

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

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## APPENDIX IV PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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

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

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

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

### **Supervisors**

A joint stock limited company shall have a Supervisory Committee comprising at least three members, including shareholder representatives and no less than one-third employee representatives. Alternatively, an audit committee of the board of directors may exercise supervisory powers, dispensing with the board of supervisors.

### **Managers and Senior Management**

The manager is appointed/dismissed by the Board of Directors and is responsible to it. Senior management includes the manager, deputy manager(s), financial controller, board secretary of a listed company, and others specified in the articles of association.

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## APPENDIX IV PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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### Duties of Directors, Supervisors and Senior Management

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

Directors, supervisors and senior management are prohibited from:

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

If any director, supervisor or senior management directly or indirectly concludes a contract or conducts a transaction with the company, he/she should report the matters relating to the conclusion of the contract or transaction to the Board of Directors or Shareholders' Meeting, subject to the approval of the Board of Directors or shareholders according to the articles of association.

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

Neither director, supervisor nor senior management may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances:

- (i) where he/she has reported to the Board of Directors or the Shareholders' Meeting and has been approved by a resolution of the Board of Directors or the Shareholders' Meeting according to the Articles of Association; or
- (ii) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the Articles of Association.

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## **APPENDIX IV                      PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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

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 personally liable for the damages to the company.

### **Finance and Accounting**

Companies must establish financial and accounting systems according to law. Annual financial reports must be audited. Financial reports of joint stock limited companies must be made available for shareholder inspection 20 days before the annual shareholders' meeting. Publicly offered companies must publish their financial reports.

After-tax profit allocation: 10% must be allocated to the statutory reserve until it reaches 50% of registered capital. Profits cover prior years' losses before allocation. Discretionary reserves may be allocated thereafter. Profit distribution is generally proportional to shareholdings.

The capital reserve fund includes share issuance premiums and other specified incomes. Reserves are used to cover losses, expand operations, or increase capital. Capital conversion of the statutory reserve requires the remaining balance to be not less than 25% of the pre-conversion registered capital.

Companies are prohibited from keeping off-the-book accounts.

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

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a Shareholders' Meeting, the Board of Directors or the Supervisory Committee in accordance with the articles of association. The accounting firm should be allowed to make representations when the meeting, the Board of Directors or the Supervisory Committee conduct a vote on the dismissal of the accounting firm.

The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Guidelines for Articles of Association provides that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the meeting of shareholders.

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## APPENDIX IV PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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### Profit Distribution

Where a company distributes profits to shareholders in violation of the provisions of the PRC Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders, directors, supervisors, and senior management personnel who are responsible for causing losses to the company shall bear compensation liability.

### Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved for the following reasons:

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

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the company is dissolved in accordance with sub-paragraph (i), (ii) above and has not yet distributed property to shareholders, it may carry on its existence by amending its articles of association or upon a resolution of the Shareholders' Meeting, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the Shareholders' Meeting. Where the company is dissolved pursuant to sub-paragraphs (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution.

The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company's Articles of Association or it is otherwise elected by the Shareholders' Meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

The liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation group. The people's court shall accept such request and organize a liquidation group to carry out the liquidation in a timely manner.

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## APPENDIX IV                      PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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

- (i) to liquidate the company's property and respectively prepare balance sheet and list of property;
- (ii) to notify creditors by notice or public announcement;
- (iii) to deal with the outstanding business of the company involved in the liquidation;
- (iv) to pay all outstanding taxes and taxes arising in the course of liquidation;
- (v) to liquidate claims and debts;
- (vi) distributing the remaining property of the company after paying off debts;
- (vii) to participate in civil litigations on behalf of the company.

The liquidation group shall notify the company's creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice.

The remaining property of the company after the payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to their shareholdings.

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

If the liquidation committee, having thoroughly examined the company's assets and having prepared a balance sheet and an inventory of assets, discovers that the company's assets are insufficient to pay its debts in full, it shall file an application to a people's court for bankruptcy liquidation. After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report to be submitted to the Shareholders' Meeting or the people's court for confirmation, and submit to the company registration authority to apply for cancellation of the company's registration.

The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who causes any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

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## **APPENDIX IV PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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Where, after three years since the business license of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

### **Overseas Listing**

According to the Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. Moreover, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

### **Suspension and Termination of Listing**

The PRC Company Law and Securities Law have deleted specific provisions; stock exchanges delist securities according to their business rules. Under the Trial Measures, issuers must report termination of listing to the CSRC within 3 working days after its occurrence and announcement.

## **SECURITIES LAW AND REGULATIONS**

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the 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 Chinese companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In April 1998, the State Council consolidated the above two departments and reformed the CSRC.

The Provisional Regulations for the Administration of Issuing and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council and effective on April 22, 1993 provide the application and approval procedures for public offerings of shares, trading in shares, the acquisition of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information with respect to a listed company, investigation and penalties and dispute arbitration.

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## APPENDIX IV PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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The Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), which were promulgated by the State Council and came into effect on December 25, 1995, mainly provide for the issue, subscription, trading and payment of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies with domestic listed foreign shares.

The Securities Law provides a series of provisions 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 in the PRC, and comprehensively regulates activities in the PRC securities market. The Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

### ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law (《中華人民共和國仲裁法》) (amended September 1, 2017, effective January 1, 2018) governs arbitration of foreign-related economic disputes based on written arbitration agreements. Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement according to the PRC Civil Procedure Law. A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission). A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people’s court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People’s Court on January 24, 2000 and effective on February 1, 2000, and the Supplementary Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People’s Court on November 26, 2020 and effective on November 27, 2020, awards made by PRC arbitral authorities can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.