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SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This Appendix provides a summary of certain aspects of PRC laws and regulations relevant to our Company’s operations and business. The laws and regulations relating to taxation in the PRC are discussed separately in Appendix III — Taxation and Foreign Exchange of this document. This Appendix also includes a summary of key provisions of the PRC Company Law. The primary purpose of this summary is to provide potential investors with an overview of the principal legal and regulatory framework applicable to our Company. This summary does not purport to be exhaustive or to contain all information that may be important to potential investors. For a discussion of other laws and regulations relevant to our business, please refer to the section headed “Regulatory Overview” in this document.

I. THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (hereinafter referred to as the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of ministries of the State Council, rules and regulations of local governments, laws of special administrative regions and international treaties and agreements to which the PRC is a party, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法(2023年修訂)》) (hereinafter referred to as the “**Legislation Law**”), the National People’s Congress (hereinafter referred to as the “**NPC**”) and the Standing Committee of The National People’s Congress are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC. During the adjournment of the NPC, partial supplement and amendment shall be made to the laws as formulated by the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

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

The People’s Congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their respective administrative areas. These local regulations shall comply with the Constitution, laws and administrative regulations.

The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. Where the laws provide otherwise on the matters concerning the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations by cities divided into districts shall become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions. The people’s congresses of national autonomous areas shall have the power to formulate autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

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

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The people’s governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate their rules and regulations based on the laws, administrative regulations and local regulations of relevant provinces, autonomous regions and municipalities.

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

The NPC has the power to amend or annul any inappropriate laws enacted by the Standing Committee of the NPC, and to annul any autonomous regulations and separate regulations as approved by its committee which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution or laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations and local regulations which have been approved by the Standing Committee of the NPC of the relevant provinces, autonomous regions or municipalities directly under the central government, but contravene the Constitution or 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 or the Legislation Law, the power to interpret the laws is vested in the Standing Committee of the NPC. According to the Resolution of the Standing Committee of the National People’s Congress 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》) which was passed on June 10, 1981, if the scope prescribed by laws needs to be further defined or supplementary provisions need to be made, the Standing Committee of the NPC shall interpret them or make provisions. Issues involving the specific application of laws in the trial work of the court shall be interpreted by the Supreme People’s Court. Issues involving the specific application of laws in the procuratorial work of the procuratorate shall be interpreted by the Supreme People’s Procuratorate. If there are principled differences in the interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate, they shall be submitted to the Standing Committee of The National People’s Congress for interpretation or decision. Issues that do not involve the specific application of laws in judicial and procuratorial work shall be interpreted by the State Council and the competent departments. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to give interpretation of the local laws is vested in the regional legislative and administrative organs which promulgate such law.

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II. PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People’s Courts (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People’s Court, the local people’s courts at all levels, and the special people’s courts.

Local people’s courts are divided into the primary people’s court, intermediate people’s court and the higher people’s court. The higher people’s courts supervise the primary and intermediate people’s courts. The people’s procuratorates also have the right to exercise legal supervision over the civil proceedings of people’s courts of the same level and lower levels. The Supreme People’s Court is the highest judicial organ in the PRC. It supervises the judicial work of the people’s courts at all levels.

The people’s courts adopt a system of finality at the second instance, meaning that judgments or rulings rendered at the second instance are legally binding and final. A party may appeal against the judgment or ruling of the first instance of a local people’s court. The people’s procuratorate may present a protest to the people’s court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people’s procuratorate within the stipulated period, the judgments or rulings of the people’s court are final. Judgments or rulings of the second instance of the intermediate people’s courts, the higher people’s courts and the Supreme People’s Court, and judgments or rulings of the first instance of the Supreme People’s Court are final. However, if any errors are identified in a legally effective judgment, ruling or mediation statement of the people’s court at any level by the Supreme People’s Court, or if such errors are identified in a legally effective judgment, ruling or mediation statement of the people’s court at a lower level by the people’s court at a higher level, it has the authority to review the case itself or to refer to the people’s court at a lower level to conduct a retrial. If the president of a people’s court considers that a legally effective judgment, ruling or mediation statement of the court contains an error and that a retrial is necessary, the case shall be submitted to the judicial committee of the court for deliberation and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (hereinafter referred to as the “**Civil Procedure Law**”), which was last amended by the Standing Committee of the NPC on September 1, 2023 and became effective on January 1, 2024, prescribes the conditions for instituting a civil action, the jurisdiction of a people’s court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC shall comply with the Civil Procedure Law. A civil case is generally heard at the court located in the defendant’s place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people’s court having jurisdiction should be located at the place directly associated with the disputes, such as the plaintiff’s or the defendant’s place of domicile, the place where the contract is performed or signed or the place where the subject matter of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without a nationality, a foreign enterprise or organization is given the same litigation rights and obligations as a citizen and legal person of the PRC. Should a foreign court limit the litigation rights of a PRC citizen and enterprise, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or organization must engage a PRC lawyer if they need to engage a lawyer for the purpose of initiating an action or defending against litigation at a PRC court. In accordance with international treaties to which the PRC is a part or according to the principle of reciprocity, a PRC people’s court and a foreign court may request each other to serve documents, conduct investigation and collect evidence, and conduct other actions on its behalf. A PRC people’s court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or social and public interests of the PRC.

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A party shall comply with a law-binding civil judgment or ruling. 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 within two years. However, they may apply for an extension of the enforcement period. In the case of an arbitral award, they may also apply for revocation in accordance with applicable laws.

A party seeking to enforce a judgment or ruling of a people’s court against another party who is not personally or whose property is not within the PRC may apply to a foreign court with the jurisdiction over the case for recognition and enforcement of such judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by a PRC people’s court according to 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 believes 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 national security or against its social and public interests.

III. THE PRC COMPANY LAW AND ADMINISTRATIVE MEASURES

A joint stock limited company which is incorporated in the PRC and listed on the Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- 1) The PRC Company Law (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the NPC on December 29, 1993, 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 respectively and the latest amendment of which was implemented on July 1, 2024;
- 2) Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”) which were promulgated by the China Securities Regulatory Commission (the “**CSRC**”) on February 17, 2023, came into effect on March 31, 2023, applicable to the overseas share subscription and listing of joint stock limited companies;
- 3) The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “**Guidelines for Articles of Association**”) which was latest amended and came into effect on March 28, 2025 by the CSRC.

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 applicable to the Company.

1. General Provisions

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. 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.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Where any laws stipulate that a joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies, such requirements shall prevail.

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2. Incorporation

A company may be established either by promotion or by public subscription. A company shall have a minimum of one but no more than 200 people as its promoters, and over half of the promoters must have residence within the PRC. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company registration authorities.

The convening and voting procedures of the establishment meeting of a joint-stock company established by way of promotion shall be stipulated in the company’s articles of association or the agreement between the promoters. The promoters who raise funds to establish a joint-stock company shall preside over and convene the establishment meeting of the company within thirty days from the date of full payment of the shares that should be issued when the company is established, and notify all subscribers or announce the date of the meeting 15 days prior to the date of the establishment 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 report on organization of the company, the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must authorize a representative to apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established and acquires the status of a legal person upon the issuance of its business license by the registration authority.

3. Registered Shares

Shareholders may make capital contributions in cash, or non-monetary assets such as in kind, intellectual property rights and land use rights which can be appraised with monetary value and transferred lawfully, except for assets prohibited from capital contribution by laws and administrative regulations. For capital contributions made in non-monetary assets, a valuation of the assets contributed must be appraised and verified, without any overvaluation or undervaluation.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. For shares subscribed by any organization or individual, the same price shall be paid for each share. The share offering price may be equal to or greater than the nominal value of the share, but not less than the nominal value.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder register which sets forth the following matters: (1) the name and domicile of each shareholder; (2) the number of shares held by each shareholder; (3) the serial numbers of shares held by each shareholder; (4) the date on which each shareholder acquired the shares.

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4. Increase in Registered Shares

Where a company issues new shares, resolutions shall be made at the shareholders’ general meeting in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares, and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares upon approval by the CSRC, a new share offering document and financial accounting report must be published and a subscription form must be prepared. After the new shares issued by the company have been fully paid up, the change must be registered with the relevant company registration authorities and a public announcement must be made accordingly. Where the registered capital of a company is increased by issuing new shares, shareholders shall pay for their subscribed shares in accordance with the relevant provisions applicable to capital contributions upon company establishment.

5. Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law: (1) the company shall prepare a balance sheet and an inventory of assets; (2) the reduction of registered capital must be approved by shareholders at the shareholders’ general meeting; (3) the company shall notify its creditors of the reduction in registered capital within 10 days and publish the relevant announcement in newspapers within 30 days of the resolution approving the reduction being passed; (4) the creditors of the company may require the company to repay its debts or provide guarantees for the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if they fail to receive any notification; and (5) the company must apply to the company registration authorities for registration of such change.

6. Repurchase of Shares

In accordance with the PRC Company Law, a company shall not purchase its own shares except under any of the following circumstances: (1) reducing the registered capital of the company; (2) merging with another company that holds its shares; (3) using shares for the employee stock ownership plan or as equity incentives; (4) a shareholder requesting the company to purchase its shares held by him/her since he/she objects to a resolution of the shareholders’ general meeting on the combination or division of the company; (5) using shares for converting convertible corporate bonds issued by the listed company; (6) it is necessary for a listed company to protect its corporate value and the rights and interests of shareholders.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) above shall be subject to a resolution of the shareholders’ general meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) above may, pursuant to the provisions of the articles of association or the authorization of the shareholders’ general meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing the Company’s shares pursuant to the above provisions, the company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; under the circumstance set forth in item (2) or (4), transfer or cancel them within six months; or under the circumstance set forth in item (3), (5) or (6), hold an aggregate of no more than 10% of all the shares issued by the company and transfer or cancel them within three years.

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A listed company repurchasing its own shares shall fulfill the obligation of information disclosure in accordance with the Securities Law of the PRC (the “**Securities Law**”). A listed company purchasing the Company’s shares under any of the circumstances set forth in items (3), (5) and (6) 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.

7. Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder should affect a transfer of his shares on securities established 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 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 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.

8. Shareholders

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

- (i) To receive dividends and other forms of interest distribution according to the number of shares held;
- (ii) To legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the General Meeting and exercise corresponding voting rights;
- (iii) To supervise business operations of our 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, General Meeting minutes, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;

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- (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 our Company according to the proportion of shares held upon our termination or liquidation;
- (viii) To require our Company to acquire the shares from Shareholders voting against any resolutions adopted at the General Meeting concerning the merger and division of the Company;
- (ix) Other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules where our 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;
- (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.

9. Shareholder’s Meetings

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

- (i) to elect and replace directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;
- (ii) to examine and approve reports of the board of directors;
- (iii) to examine and approve reports of the supervisory committee;
- (iv) to examine and approve a company’s profit distribution plans and loss recovery plans;
- (v) to resolve on the increase or reduction of a company’s registered capital;
- (vi) to resolve on the issuance of corporate bonds;
- (vii) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;
- (viii) to amend the company’s articles of association;

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- (ix) other functions and powers specified in provision of the articles of association. Under the Company Law, annual shareholders’ meetings are required to be held once every year. An 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 Company Law or less than two-thirds of the number specified in the articles of association;
 - (ii) when the unrecovered losses of a company amount to one-third of the total paid-up share capital;
 - (iii) shareholders individually or jointly holding 10% or more of the company’s shares request;
 - (iv) when deemed necessary by the Board;
 - (v) the Supervisory Committee proposes to convene the meeting;
 - (vi) other circumstances as stipulated in the articles of association.

Shareholders’ general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the 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 general meeting, the supervisory board should convene and preside over shareholders’ general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders’ general meeting, shareholders individually or in aggregate holding 10% or more of the company’s shares for 90 days or more consecutively may unilaterally convene and preside over shareholders’ general 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 board of supervisors should, within 10 days after the receipt of such request, decide whether to hold an interim shareholders’ meeting and reply to the shareholders in writing.

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 the meeting of shareholders. The convener shall issue a supplementary notice of the meeting of shareholders within two days after receiving the proposal and announce the contents of the interim proposal.

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

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

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

10. Directors

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

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

- (i) to convene shareholder’s general meetings and report its work to the shareholder’s general meetings;
- (ii) to implement the resolutions of the shareholder’s general meeting;
- (iii) to decide on a company’s business plans and investment plans;
- (iv) to formulate a company’s profit distribution plan and loss recovery plan;
- (v) to formulate proposals for the increase or reduction of a company’s registered capital and the issue of corporate bonds;
- (vi) to formulate plans for cake, 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 meetings shall be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company suffers serious losses, the

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directors participating in the resolution shall be liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

Under the Company Law, a person 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 meetings;
- (ii) to examine the implementation of resolutions of the Board;
- (iii) to exercise other powers conferred by the Board.

11. Board of Supervisors

The company shall have a board of supervisors composed of no less than three members. The board of supervisors shall consist of shareholder representatives and an appropriate proportion of employee representatives of the company, with the proportion of such employee representatives no less than one-third subject to the articles of association. Employee representatives of the company at the board of supervisors shall be democratically elected by the company’s employees at the employee representative assembly, general employee meeting or otherwise.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors shall be elected by more than half of the supervisors. The directors and senior management may not act concurrently as supervisors.

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The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. Where the chairman of the board of supervisors cannot or does not perform his/her duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. Where the vice chairman of the board of supervisors cannot or does not perform his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

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

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

The board of supervisors exercises the following powers: (1) to review the company's financial position; (2) to supervise directors and senior management in performing their company duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or the resolutions of shareholders' general meetings; (3) when the acts of a director or senior management member are detrimental to the company's interests, to require the director and senior management member to correct these acts; (4) to propose the convening of extraordinary general meetings and the convening and presiding over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meetings under the Law; (5) to submit proposals to the shareholders' general meeting; (6) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; (7) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at the meetings of the board of directors and make inquiries or proposals in respect of the resolutions of the board of directors. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, engage an accounting firm to assist its work at the expense of the company.

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

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12. Manager and Senior Management

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

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

The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

13. Duties of Directors, Supervisors and Senior Management

Under the PRC Company Law, directors, supervisors and senior management shall comply with relevant laws, administrative regulations and the articles of association, and carry out their duties of fidelity and diligence. Directors, supervisors and senior management shall take measures to avoid conflicts between their own interests and the interests of the company, and shall not make use of their positions to gain undue advantage. They shall also owe a duty of diligence to the company and shall perform their duties with the reasonable care normally expected of a person in management position in the best interests of the company.

In addition, directors and senior management shall not: (1) embezzlement of company properties and misappropriation of the company’s capital; (2) depositing the company’s capital into accounts under his own name or the name of other individuals; (3) utilizing power to accept bribe or accept other illegal income; (4) accept and possess commissions paid by a third party for transactions conducted with the company; (5) unauthorized divulgence of confidential business information of the company; or (6) other acts in violation of their duty of loyalty to the company.

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

Where a director, supervisor or senior management member is required to attend a shareholders’ general meeting, such director, supervisor or senior management member shall attend the meeting and answer inquiries from shareholders. Directors and senior management shall furnish relevant situations and information to the board of supervisors in a truthful manner, without impeding the discharge of duties by the board of supervisors.

14. Finance and Accounting

Under the PRC Company Law, the company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of competent financial authorities of the State Council. At the end of each accounting year, the company shall prepare a financial report audited by an accounting firm in accordance with laws. The company’s financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council. The company’s financial and accounting reports shall be made available for shareholders’ inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial and accounting reports.

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When distributing profits after taxation of the year, the company shall set aside 10% of its profits for the company’s statutory common reserve fund until the fund has reached 50% or more of the company’s registered capital. When the company’s statutory common reserve fund is not sufficient to make up for the company’s losses for the previous years, the profits of the current year shall first be used to cover the losses before any allocation is set aside for the statutory common reserve fund pursuant to the preceding provision. After making allocations to the statutory common reserve fund from its profits after taxation, the Company may, upon passing a resolution at a shareholders’ meeting or shareholders’ general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company covers its losses and makes allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a shareholders’ general meeting or the board of directors before losses are covered and allocations are made to the statutory common reserve fund in violation of the preceding requirements must be returned to the company. The company shall not distribute any profits in respect of the shares held by it.

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

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

15. Appointment and Dismissal of Accounting Firms

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

The Guidance for Articles of Association provide 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 general meeting of shareholders.

16. Distribution of Profits

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

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17. Dissolution and Liquidation

According to the PRC Company Law, a company may dissolve as a result of the following reasons: (1) the expiry of term of its operations set out in the articles of association, or the occurrence of other events of dissolution specified in the articles of association; (2) it is resolved in a shareholders’ general meeting that the company shall resolve; (3) the company is dissolved by reason of a merger or division; (4) the business license is suspended or the company is ordered to close down or to be dissolved in accordance with the laws; or (5) the company is dissolved by a people’s court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all of the company’s shareholders, on the grounds that the company suffers from significant hardship in its operation and the management that cannot be resolved through other means, and the ongoing existence of the company will bring significant losses to the shareholders.

In the event of (1) or (2) above and in case that no assets have been distributed to shareholders, it may carry on its existence by amending its articles of association or by a resolution of shareholders’ meeting. The amendment of the articles of association or by a resolution of shareholders’ meeting in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders’ general meeting.

Where the company is dissolved in the circumstances described in items (1), (2), (4), or (5) 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 be composed of directors, unless the company’s articles of association provide otherwise or the shareholders’ meeting resolves to elect someone else. If the liquidation obligator fails to fulfill its liquidation obligations in a timely manner and causes losses to the company or creditors, it shall be liable for compensation. If a liquidation group is not established within the stipulated period or if the liquidation is not carried out after the establishment of the liquidation group, the interested parties may apply with the people’s court for setting up a liquidation group with designated relevant personnel to conduct the liquidation. The people’s court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall notify the company’s creditors within 10 days after its establishment and issue public notices in newspapers or on 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 inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders’ general 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.

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Upon liquidation of the company’s properties and the preparation of the balance sheet and inventory 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 liquidation.

Following the acceptance of application for bankruptcy by the People’s Court, the liquidation group shall hand over the liquidation affairs to the bankruptcy administrator appointed by the people’s court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders’ general meeting or the people’s court for verification and the report shall be submitted to the registration authority of the company in order to cancel the company’s registration. When performing the duties in relation to the liquidation, members of the liquidation group shall bear the duties of loyalty and diligence.

If members of the liquidation group are reluctant in performing their liquidation duties and cause losses to the company, they shall be liable for compensation. A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

18. Overseas Listing

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

19. Loss of Share Certificates

If a shareholder’s share certificate(s) in registered form is stolen, lost, or destroyed, he may, in accordance with the public notice procedures set out in the Civil Procedure Law, apply to a people’s court for declaration that such certificate(s) will no longer be valid. After the people’s court declares that such certificate(s) are no longer valid, the shareholder may apply to the company for issue of a replacement certificate(s).

20. Merger and Division

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

IV. SECURITIES LAWS 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 mainland China or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On 29 March 1998, the State Council consolidated the above two departments and reformed the CSRC.

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The Provisional Regulations Concerning the Issue 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 22 April 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.

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

V. ARBITRATION AND ENFORCEMENT OF AN ARBITRAL AWARD

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

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement according to the PRC Civil Procedure Law. A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the 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 Chinese mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People’s Court on 24 January 2000 and effective on 1 February 2000, and the Supplementary Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between Chinese mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香

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港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People’s Court on 26 November 2020 and effective on 27 November 2020, awards made by PRC arbitral authorities can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.