This appendix summarizes certain aspects of PRC laws and regulations relevant to the Company's operations and business. The PRC tax laws and regulations are discussed separately in "Appendix III—Taxation and Foreign Exchange" to this document. This appendix also contains a summary of the PRC Company Law and other relevant legal and regulatory provisions. The primary purpose of this summary is to provide potential [**REDACTED**] with an overview of the principal legal and regulatory provisions applicable to the Company. This summary is not intended to contain all of the information that is important to potential [**REDACTED**]. For a discussion of the laws and regulations that are relevant to the business of the Company, please refer to the "Regulatory Overview" in this document.

LEGAL SYSTEM OF CHINA

The legal system within China is based on the Constitution of the People's Republic of China (the "Constitution"), and is composed of written laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments under the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, laws of special administrative regions, and international treaties and other regulatory documents signed by the Chinese government. Court decisions do not constitute binding precedents, but can be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China ("Legislation Law"), which was amended by the National People's Congress on March 13, 2023 and entered into force on March 15, 2023, the National People's Congress and its Standing Committee have the authority to exercise state legislative authority. The National People's Congress has the power to enact and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the National People's Congress has the authority to enact and amend laws other than those that should be enacted by the National People's Congress, and to supplement and amend in part the laws enacted by the National People's Congress when the National People's Congress is not in session, provided that the supplements and amendments shall not contravene the basic principles of such laws.

The State Council is the highest state administrative authority and has the authority to enact administrative regulations in accordance with the Constitution and laws. The people's congresses and their standing committees of the provinces, autonomous regions and municipalities directly under the Central Government may, in light of the specific conditions and actual needs of their respective administrative areas, enact local regulations, provided that such regulations shall not contravene the Constitution, the laws and administrative regulations. The people's congresses and their standing committees of the cities divided into districts may, in light of the specific local conditions and actual needs, enact local regulations regarding urban and rural development and management, environmental protection, historical and cultural protection and other matters, provided that such local regulations shall not contravene the Constitution, the laws, administrative regulations, and the local regulations of their respective provinces or autonomous regions. Where there are other legal provisions on the enactment of local regulations by the cities divided into districts, such provisions shall prevail. Local regulations of the autonomous region shall be submitted for approval prior to taking effect.

The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of the local regulations submitted for approval, and shall approve such regulations within four months if they believe that such regulations do not contravene the Constitution, laws, administrative regulations, and the local regulations of their respective provinces or autonomous regions. The people's congresses of national autonomous areas have the power to enact regulations on the exercise of autonomy and separate regulations in the light of the political, economic and cultural characteristics of the nationality or nationalities in the areas concerned. All ministries and commissions of the State Council, the People's Bank of China, the National Audit Office, and public institutions with administrative functions directly under the State Council may, in accordance with laws and administrative regulations, decisions and rulings of the State Council, formulate rules within the scope of their respective functions and powers.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations, and separate regulations or rules may contravene the Constitution. A law is of higher legal force than an administrative regulation, local regulation and rule. 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 or autonomous regions is greater than that of the rules enacted by the people's governments of the cities with subordinate districts within the administrative areas of the provinces and the autonomous regions.

The National People's Congress has the power to amend or withdraw any inappropriate laws formulated by its Standing Committee, as well as to withdraw any autonomous regulations or separate regulations which have been approved by its Standing Committee but contravene the provisions of the Constitution or the Legislation Law. The Standing Committee of the National People's Congress has the power to withdraw any administrative regulations which contravene the Constitution or laws, any local regulations which contravene the Constitution, laws or administrative regulations, and any autonomous regulations or separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government but contravene the provisions of the Constitution or the Legislation Law. The State Council has the power to amend or withdraw any inappropriate departmental rules or local rules. The people's congress of a province, autonomous region or municipality directly under the Central Government has the power to amend or withdraw any inappropriate local regulations formulated or approved by its standing committee. The standing committee of a local people's congress has the power to withdraw any inappropriate rules formulated by the people's government at the same level. The people's government of a province or autonomous region has the power to amend or withdraw any inappropriate local government rules formulated by people's governments at the next lower level.

In accordance with the Constitution and the Legislation Law, the power of legal interpretation belongs to the Standing Committee of the National People's Congress. According to the Resolution of the Standing Committee of the National People's Congress on Strengthening the Interpretation of Laws, adopted by the Standing Committee of the National People's Congress and effective on June 10, 1981, the Supreme People's Court shall provide interpretations on issues concerning the specific application of laws and decrees encountered during court trial proceedings. The Supreme People's Procuratorate shall provide interpretations on issues concerning the specific application of laws and decrees in procuratorial work. Issues concerning the specific application of laws and decrees unrelated to judicial and prosecutorial work shall be interpreted by the State Council and the competent authorities.

Where the scope of local regulations needs further definition or supplementary provisions, it shall be interpreted or stipulated by the standing committees of the people's congresses of the provinces, autonomous regions and municipalities directly under the Central Government that have formulated such regulations. The competent departments of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall be responsible for the interpretation of local regulations on the specific application thereof.

JUDICIAL SYSTEM OF CHINA

According to the Constitution and the Organic Law of the People's Courts of the People's Republic of China, as amended by the Standing Committee of the National People's Congress on October 26, 2018, and effective as of January 1, 2019, the people's courts in the People's Republic of China are composed of the Supreme People's Court, local people's courts at various levels and special people's courts. Local people's courts at various levels are divided into three levels, that is, primary people's courts, intermediate people's courts and higher people's courts. A primary people's court may set up a number of people's tribunals according to the conditions of the locality, population and cases. The Supreme People's Court is the highest adjudicative organ of the State. The Supreme People's Court supervises the exercise of judicial power by local people's courts at various levels and by the special people's courts. People's courts at higher levels supervise the judicial work of those at lower levels.

According to the Constitution and the Organic Law of the People's Procuratorates of the People's Republic of China revised by the Standing Committee of the National People's Congress on October 26, 2018 and effective January 1, 2019, people's procuratorates are state organs for legal supervision. The Supreme People's Procuratorate is the highest procuratorial organ which directs the work of local people's procuratorates at various levels and that of the special people's procuratorates. People's procuratorates at higher levels direct the work of those at lower levels.

The people's courts operate a two-tier trial system, with the second-instance judgments or rulings of the people's courts constituting final judgments. A party may appeal against a first-instance judgment or ruling issued by a local people's court. The people's procuratorate may file a protest with the higher-level people's court in accordance with the procedures prescribed by law. If the parties concerned have not filed any appeals and the people's procuratorate has not filed any protest within the stipulated period of time, the judgment or ruling of the people's court shall be final. Judgments and rulings in cases of second instance tried by intermediate people's courts, higher people's courts and the Supreme People's Court, and the same in cases of first instance tried by the Supreme People's Court, are final. However, if the Supreme People's Court or a higher-level people's court discovers that a final judgment or ruling of a lower-level people's court that has already taken legal effect is indeed erroneous, or if the presiding judge of a people's court at any level believes that such a final judgment or ruling is indeed erroneous, it may be retried through judicial supervision procedures.

The Civil Procedure Law of the People's Republic of China (2023 Revision) adopted by the Standing Committee of the National People's Congress on September 1, 2023 and effective as of January 1, 2024 (the "Civil Procedure Law of the People's Republic of China") stipulates the requirements for initiating civil proceedings, the jurisdiction of people's courts, the procedures for civil litigation and the enforcement procedures for civil judgments or orders. All parties to civil proceedings within the territory of the People's Republic of China must abide by the Civil Procedure Law of the People's Republic of China. Civil cases shall generally be heard by the court at the domicile of the defendant. The court with jurisdiction over civil litigation may be explicitly agreed upon by the parties, but the court must be located in a place with a real connection to the dispute, such as the domicile of the plaintiff or defendant, the place of contract performance or execution, or the location of the subject matter of the litigation. However, under no circumstances shall the court's choice conflict with the provisions of different jurisdictions and exclusive jurisdictions.

Foreigners, stateless persons, foreign-invested enterprises and organizations filing a lawsuit or making defense at a people's court shall have equal litigation rights and obligations as Chinese citizens, legal persons and other organizations. Where a court of a foreign country imposes restrictions on the civil litigation rights of Chinese citizens and enterprises, the people's courts of China may impose the same restrictions on the citizens and enterprises of that country. Foreigners, stateless persons, foreign-invested enterprises and organizations filing a lawsuit or making defense at a people's court that are required to engage a lawyer to participate in proceedings shall engage a Chinese lawyer. Pursuant to the international treaties signed or acceded to by the People's Republic of China or in accordance with the principle of reciprocity, a people's court and a foreign court may request each other to carry out service of documents on behalf, investigation and collection of evidence and any other actions. Where a request by a foreign court for assistance is prejudicial to the sovereignty, security or public interest of the People's Republic of China, the people's court shall refuse to enforce.

The parties concerned must perform the civil judgment or ruling which has come into legal effect. If any party to a civil lawsuit refuses to comply with a judgment or ruling issued by a people's court of the People's Republic of China, or an award issued by an arbitration tribunal, the other party may apply to the people's court for enforcement within two years. The suspension or interruption of the period for applying for enforcement shall comply with the applicable legal provisions concerning the suspension or interruption of the statute of limitations.

Where a party applies to a people's court for enforcement of an effective judgment or ruling rendered by a people's court against a party not within the territory of the People's Republic of China or whose property is not within the territory of the People's Republic of China, the party may apply to a foreign court with appropriate jurisdiction for recognition and enforcement of such judgment or ruling. If an international treaty concluded or acceded to by the People's Republic of China with the relevant foreign state provides for the recognition and enforcement of foreign judgments or awards, or if such judgments or awards meet the requirements of a court's examination based on the principle of reciprocity, the people's court may also recognize and enforce them in accordance with China's enforcement procedures except for other exceptional circumstances. However, this shall not apply where the people's court determines that the recognition or enforcement of such judgments or awards would result in a violation of China's fundamental legal principles, sovereignty, or security, or where considerations of public interest so require.

THE COMPANY LAW OF THE PEOPLE'S REPUBLIC OF CHINA, THE TRIAL MEASURES, AND THE GUIDANCE ON THE ARTICLES OF ASSOCIATION

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

The Company Law of the People's Republic of China adopted by the Fifth Meeting of the Standing Committee of the Eighth National People's Congress on December 29, 1993, effective as of July 1, 1994, and amended separately on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018, and December 29, 2023 (the "Company Law"). The latest revision of the Company Law took effect on July 1, 2024.

The Trial Measures and five interpretative guidelines, which were promulgated by the CSRC on February 17, 2023 and came into effect on March 31, 2023, and are applicable to direct and indirect offshore share offering and listing of domestic companies.

Pursuant to the Trial Measures and its interpretative guidelines, a domestic company that directly issues shares for listing overseas shall formulate its articles of association in accordance with the Guidance on Articles of Association of Listed Companies (the "Guidance on Articles of Association", which shall replace the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, which were no longer applicable as of March 31, 2023). The Guidance on Articles of Association was promulgated by the CSRC on December 16, 1997 and last amended on March 28, 2025.

The following is a summary of the main clauses of the Company Law, the Trial Measures and the Guidance on Articles of Association that are applicable to the Company.

General Provisions

A joint stock company is an enterprise legal person incorporated in accordance with the Company Law, whose registered capital is divided into shares of equal par value. Shareholders bear liability up to the value of their shares, while the company is liable for its debts only to the extent of its entire assets.

A company must abide by laws, social ethics and business ethics when conducting its business activities. A company may invest in other limited liability companies. The company's liability to such investee companies is limited to the amount invested. Unless otherwise provided by law, the company shall not be the investor who is jointly and severally liable for the debts of the investee companies.

Incorporation

A joint stock company may be incorporated by way of promotion or subscription. A joint stock company shall be incorporated by one to two hundred promoters, and more than half of the promoters shall have their domicile within the territory of China.

The promoters of a joint stock company established by subscription shall convene the company's founding meeting within thirty days from the date on which the share capital is fully paid up, and shall notify each subscriber of the meeting date or publish an announcement at least fifteen days prior to the founding meeting. The founding meeting can only be held when the promoters and the subscribers holding more than 50% of the total shares are present. The powers exercised at the founding meeting include but are not limited to adopting the company's articles of association and electing the members of the company's Board of Directors. The above matters must be approved by more than 50% of the votes cast by the subscribers present at the meeting.

Where a joint stock company is established by way of promotion, the convening and voting procedures of the founding meeting shall be stipulated by the articles of association of the company or the promoters' agreement.

Within 30 days after the conclusion of the founding meeting, the Board of Directors shall apply to the registration authority for registration of the establishment of the joint stock company. Upon issuance of the business license by the relevant registration authority, the company is formally established and acquires legal person status.

Registered Shares

Pursuant to the Company Law, shareholders may make capital contributions in the form of currency, in kind, intellectual property rights, land use rights, equities, creditor's rights and other non-currency properties that can be valuated in currency and transferred pursuant to the law.

The Trial Measures stipulate that domestic enterprises listed overseas can raise funds and distribute dividends in either foreign currency or RMB.

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

Allotment and Issuance of Shares

The issuance of all shares of a joint stock company shall follow the principles of equality and fairness. The same class of shares shall carry equal rights. Shares of the same class under the same offering must be issued on the same terms and at the same price. A joint stock company can issue its shares at par value or at a premium, but it must not issue shares at a price lower than the par value.

Domestic enterprises intending to issue shares overseas shall file with the CSRC pursuant to the provisions of the Trial Measures, submit filing reports, legal opinions and relevant materials, and provide truthful, accurate and complete information pertaining to shareholders. Where domestic enterprises directly issue and list shares overseas, the issuers shall file with the CSRC for record. In case of the indirect overseas issuance and listing of domestic enterprises, the issuer shall designate a major domestic operating entity as the domestic responsible person to file with the CSRC for record.

Increase of Share Capital

Pursuant to the Company Law, when a joint stock company issues new shares, the general meeting shall adopt resolutions regarding the class, quantity, issue price, and the starting and ending dates of the issuance of the new shares, as well as the class and quantity of new shares to be offered to existing shareholders, if any. The proceeds from the new share issuance shall be included in the registered capital, where shares without par value are to be issued. In addition, if the company intends to make a public offering of shares, it shall be registered by the securities regulatory authority under the State Council and announce the document.

Reduction of Share Capital

The company can reduce its registered capital in accordance with the following procedures stipulated in the Company Law:

(i) the company shall prepare a balance sheet and a list of property;

(ii) the company shall make a resolution on the reduction of registered capital at the general meeting;

(iii) the company shall notify the creditors within 10 days of the date on which the resolution on the reduction of registered capital is approved, and shall make an announcement on newspapers or the National Enterprise Credit Information Publicity System within 30 days;

(iv) the creditors shall be entitled to demand the company to liquidate its debts or provide corresponding guarantees within 30 days since the date of the notification or within 45 days since the date of announcement if no notice is received;

(v) the company shall apply for registration of changes with the company registration authority upon reduction of share capital.

If the company reduces its registered capital, it shall reduce the amount of capital contribution or shares according to the proportion of shareholders' capital contribution or shareholding, unless otherwise provided by law, agreed by all shareholders of the limited liability company, or stipulated in the articles of association of the joint stock limited company.

Repurchase of Shares

According to the Company Law, a company shall not repurchase its own shares except in the following circumstances:

(i) to reduce the registered capital of the company;

(ii) to merge with other companies holding the company's shares;

(iii) to use the shares for employee stock ownership plan or equity incentives;

(iv) to meet the request by any shareholders of the company to acquire their shares due to their objection to the general meeting's resolution on the merger or division of the company;

(v) to use the shares for the conversion of corporate bonds issued by the listed company that are convertible into shares;

(vi) necessary for the listed company to safeguard the value of the company and shareholders' rights and interests.

Where the company repurchases its shares under the circumstances set out in preceding item (i) or (ii), it shall be resolved at the general meeting. Where the company repurchases its shares under the circumstances set out in preceding item (iii), (v) or (vi), it shall be resolved at a board meeting attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or upon authorization by the general meeting.

The shares repurchased by the company in accordance with the above provisions shall be processed in the following ways: for the circumstance in item (i), such shares shall be canceled in ten days after the date of repurchase; for the circumstance in item (ii) or (iv), such shares shall be transferred or canceled in six months; for the circumstance in item (iii), (v) or (vi), the total number of shares held by the company shall not exceed 10% of the total issued shares of the company, and such shares shall be transferred or canceled in three years.

Transfer of Shares

Shares held by shareholders are legally transferable. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. Transfer of registered shares must be made by means of an endorsement by shareholders or by other means stipulated by laws or administrative regulations. After the transfer of shares, the company shall record the name or designation and domicile of the transferee in the register of shareholders. Alteration registration for the register of shareholders referred to in the preceding paragraph shall not be carried out for a period of twenty days prior to the holding of a general meeting, or five days prior to the record date for the purpose of dividend distribution determined by the company. If the laws, administrative regulations or the securities regulatory authorities under the State Council provide otherwise for the registration of changes of the register of shareholders of a listed company, the relevant provisions shall apply.

Pursuant to the Company Law, shares that have been issued before the public offering shall not be transferred for a period of one year commencing from the date on which the company's shares are listed and traded on a stock exchange. The directors, supervisors, and senior officers of the company shall report the number of shares held by them and the relevant changes to the company, and shall not transfer more than 25% of the total number of shares held by them in the company each year during their term of appointment determined when they take office. The company's shares held by the directors, supervisors, and senior officers of the company shall not be transferred within one year from the date on which the company's shares are listed on a stock exchange. The aforesaid persons shall not transfer the shares they hold in this company within six months after they leave their posts.

If the shares are pledged within the period of restriction on transfer prescribed by laws and administrative regulations, the pledgee shall not exercise the pledge right within such period.

Shareholders

According to the Company Law and the Guidance on Articles of Association, shareholders shall enjoy the following rights:

(i) to receive dividends and other forms of distributions of benefits in proportion to the number of shares held by them;

(ii) to request, convene, preside over a general meeting, attend the general meeting in person or by proxy, and exercise the corresponding voting rights in accordance with the laws;

(iii) to supervise the operation of the company and to make suggestions or inquiries;

(iv) to transfer, donate or pledge the shares held by them in accordance with laws, administrative regulations and the articles of association;

(v) to inspect and copy the articles of association, register of shareholders, minutes of general meetings, resolutions of meetings of the Board of Directors, resolutions of meetings of the Supervisory Committee, financial and accounting reports;

(vi) shareholders who individually or collectively hold more than 3% of the company's shares for more than 180 consecutive days may inspect the company's accounting books and accounting vouchers according to law;

(vii) to participate in the distribution of the remaining property of the company according to the proportion of shares they hold when the company is terminated or liquidated;

(viii) to request the company to purchase the shares held by shareholders who raise objection to the resolution on the merger or division of the company as adopted by the general meeting;

(ix) other rights stipulated by laws, administrative regulations, departmental rules, the regulatory rules of the place where the company's shares are listed and the articles of association.

Obligations of shareholders include:

(i) to comply with the laws, administrative regulations and the articles of association;

(ii) to make capital contribution according to the shares they subscribe for and the capital participation method;

(iii) no withdrawal from the company except for the circumstances set out in the relevant laws and administrative regulations;

(iv) not to abuse their shareholder rights to harm the interests of the company or other shareholders; not to abuse the independent legal status of the company and the limited liability of shareholders to harm the interests of the company's creditors;

(v) other obligations as stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the company's shares are listed.

General Meeting

According to the Company Law, the general meeting of the limited liability company shall be composed of all shareholders. The general meeting shall be the organ of authority of the company and shall exercise the following powers:

(i) to elect and replace directors and supervisors and decide matters relating to the remuneration of directors and supervisors;

(ii) to review and approve reports of the Board of Directors;

(iii) to review and approve reports of the Supervisory Committee;

(iv) to review and approve the profit distribution plans and loss recovery plans of the company;

(v) to make resolutions on the increase or decrease of the company's registered capital;

(vi) to make resolutions on the issuance of corporate bonds;

(vii) to make resolutions on the merger, division, dissolution, liquidation of the company or change in the organizational form of the company;

(viii) to amend the articles of association;

(ix) other powers as stipulated by the articles of association.

According to the Company Law, the annual general meeting shall be convened once a year. An extraordinary general meeting shall be held within two months upon the occurrence of any of the following circumstances:

(i) The number of directors is less than the number prescribed in the Company Law or two-thirds of the number stipulated in the articles of association;

(ii) The company's losses which are not covered amount to one-third of the total paid-in capital;

(iii) Shareholders who individually or collectively hold more than 10% of the company's shares request the convening of an extraordinary general meeting;

(iv) The Board of Directors considers it necessary;

(v) The Supervisory Committee proposes to convene an extraordinary general meeting;

(vi) Other circumstances as stipulated by the articles of association.

The general meeting shall be convened by the Board of Directors and presided over by the Chairman. If the chairman of the Board of Directors is unable or fails to carry out his/her duties, the vice-chairman shall preside over the general meeting. If the vice-chairman of the Board of Directors is unable or fails to carry out his/her duties, more than half of the directors shall nominate a director to preside over the general meeting.

Where the Board of Directors is unable to or fail to perform the duties to convene a general meeting, the meeting shall be called and presided over by the Supervisory Committee in a timely manner. Where the Supervisory Committee does not perform the duties to convene and preside over a general meeting, the shareholders individually or jointly holding 10% or more of the shares of the company for over 90 consecutive days may, at their own discretion, convene and preside over a general meeting.

If the shareholders who individually or jointly hold more than 10% of the shares of the company request to convene an extraordinary general meeting, the Board of Directors and Supervisory Committee shall decide whether to convene an extraordinary general meeting within 10 days as of the receipt of such request, and reply to the shareholders in writing.

The shareholders shall be notified of the time and place of the meeting and the matters to be considered twenty days prior to the convening of the general meeting, and fifteen days prior to the convening of the extraordinary general meeting.

Shareholders holding more than 1% of the shares of the company individually or collectively may raise a provisional proposal and submit it to the convener in writing 10 days before the general meeting is held. The convener shall issue a supplementary notice for the general meeting within two days after receiving the proposal and disclose the content of the provisional proposal.

According to the Company Law, a shareholder appointing a proxy to attend a general meeting should clearly specify the matters, authority, and period of agency of that proxy. The proxy shall submit the power of attorney to the company and exercise the voting rights within the scope of authorization. The Company Law does not contain specific provisions regarding the number of shareholders required to constitute a quorum for a general meeting.

According to the Company Law, each share held by shareholders attending a general meeting shall carry one voting right, except for shareholders holding other classes of shares. However, shares held by the company have no voting rights.

A general meeting can adopt, in accordance with the provisions of the articles of association or resolutions of general meetings, a cumulative voting system in the election of directors and supervisors. Under the cumulative voting system, when a general meeting elects directors or supervisors, each share shall carry the number of voting rights equivalent to the number of candidates for directors or supervisors, and the shareholder can cumulatively use his/her voting rights.

Pursuant to the Company Law and the Guidance on Articles of Association, the adoption of any resolution at a general meeting requires the affirmative vote of more than half of the votes represented by the shareholders present. Matters concerning the merger, division, or dissolution of the company; the increase or decrease of registered capital; the change of corporate form; or the amendment of the articles of association must be approved by a majority of two-thirds or more of the voting rights held by the shareholders present at the meeting.

Directors

According to the Company Law, a joint stock company shall have a Board of Directors, which shall consist of three or more members. The term of office of the directors is stipulated by the articles of association, but shall not exceed three years. Directors may be re-elected for consecutive terms.

The Board of Directors shall hold meetings at least twice a year, and notice shall be given to all directors and supervisors ten days in advance. The Board of Directors shall exercise the following powers:

(i) to convene a general meeting and report to the general meeting on the work of the Board;

(ii) to implement resolutions adopted by the general meeting;

(iii) to decide on the company's business plans and investment plans;

(iv) to formulate the profit distribution plan and loss recovery plan of the company;

(v) to formulate plans of the company regarding increase or reduction of the registered capital and issuance of bonds;

(vi) to formulate plans for the merger, division, dissolution, and change of company form of the company;

(vii) to decide on the establishment of the internal management organization of the company;

(viii) to appoint or dismiss the general manager, and decide on matters of remuneration; to appoint or dismiss the deputy general manager and CFO according to the nomination of the general manager, and decide on matters of remuneration;

(ix) to formulate the basic management system of the company;

(x) any other powers granted by the articles of association or the general meeting.

A Board meeting shall be held only if more than half of the directors are present. If a director is unable to attend a meeting for any reason, he/she can entrust another director in writing to attend the meeting on his/her behalf, and the power of attorney shall state the scope of authorization. If a resolution of the Board of Directors is in violation of laws, administrative regulations, or the articles of association, and causes any material loss to the company, the directors who participated in the adoption of such resolution shall be liable to compensate the company. If a director can prove that he/she raised an objection to such resolution, and that such objection was recorded in the minutes of the meeting, the director may be exempted from such liability.

In accordance with the Company Law, a person who falls under any of the following circumstances shall not be the director of a company:

(i) A person without civil capacity or with restricted civil capacity;

(ii) A person who has been sentenced to criminal penalties for crimes such as corruption, bribery, embezzlement of property, misappropriation of property, or undermining the socialist market economic order; or has been deprived of political rights due to a crime, where five years have not lapsed following the serving of the sentence, or in case of a suspended sentence, not more than two years have elapsed since the date of expiration of the probationary period;

(iii) A person who served as a director, factory manager, or general manager of a company or enterprise which has been declared bankrupt and liquidated and who was personally accountable for the bankruptcy of such company or enterprise, where three years has not elapsed since the completion of the bankruptcy and liquidation of such company or enterprise;

(iv) A person who was the legal representative of a company which had its business license revoked, or was ordered to close down, and who was personally accountable for the revocation or close-down, where three years has not elapsed since the revocation of the business license or close-down of such company; and

(v) A person who has been listed by the people's court as defaulter because he/she has incurred debts of a large amount that have not been settled as at the due date.

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

(i) to preside over general meetings and to convene and preside over meetings of the Board of Directors;

(ii) to examine the implementation of resolutions of the Board of Directors;

(iii) to exercise other powers granted by the Board of Directors.

Supervisors

According to the Company Law, a joint stock company shall have a Supervisory Committee, which shall consist of three or more members. The Supervisory Committee shall be composed of shareholders' representatives and an appropriate proportion of representatives of the staff and workers of the company. The number of the staff and workers' representatives shall not be lower than one third of all the supervisors, the specific percentage of which shall be determined in the articles of association. The representatives of the staff and workers on the Supervisory Committee shall be democratically elected by the staff and workers through the congresses or assemblies of the workers and staff members or other forms. Directors or senior officers are not allowed to hold the position of supervisor concurrently.

The Supervisory Committee shall exercise the following power:

(i) to examine the financial position of the company;

(ii) to supervise the directors and senior officers in the performance of their duties and to propose the dismissal of directors or senior officers who violate laws, administrative regulations, the articles of association or resolutions of the general meeting;

(iii) when the acts of any director or senior officer are found to damage the interests of the company, to urge them to make correction;

(iv) to propose to convene an extraordinary general meeting, and to convene and preside over general meetings when the Board fails to perform the duty of convening and presiding over the general meeting under the Company Law;

(v) to submit proposals to the general meeting;

(vi) to raise litigation against any director or senior officer according to the Company Law;

(vii) other powers as stipulated by the articles of association.

General Manager and Senior Officers

In accordance with the Company Law, a company shall have a general manager, who shall be appointed or dismissed by the Board of Directors. The general manager shall be responsible to the Board of Directors and shall exercise his/her functions and powers in accordance with the articles of association or the authorization of the Board of Directors. The general manager shall attend meetings of the Board of Directors as a non-voting member.

In accordance with the Company Law, senior officers shall refer to the general manager, deputy general manager, chief financial officer, the secretary of the Board of Directors and any other personnel specified in the articles of association.

Duties of the Directors, Supervisors and Senior Officers

According to the Company Law, the directors, supervisors and senior officers shall abide by the relevant laws, regulations and the articles of association, and have the obligations of loyalty and diligence to the company. The directors, supervisors and senior officers shall not take advantage of his/her functions and powers to accept bribes or other illegal income, and shall not embezzle the property of the company.

Directors, supervisors and senior officers shall not engage in the following behaviors:

(i) embezzling company assets or misappropriating company funds;

(ii) depositing the company's funds in an account opened in his/her own name or in the name of any other individual;

(iii) taking bribery or other illegal income by taking advantage of their functions and powers;

(iv) accepting commissions on transactions between the company and the third party and pocketing the same;

(v) disclosing the company's trade secrets without authorization; or

(vi) other acts in violation of the duty of loyalty to the company.

Directors, supervisors and senior officers, who directly or indirectly enter into contracts or conduct transactions with the company, shall report to the Board or the general meeting on matters relating to the conclusion of the contract or the conduct of the transaction, which shall be adopted by a resolution of the Board or the general meeting in accordance with the provisions of the articles of association.

Where a close relative of a director, supervisor or senior officer, an enterprise directly or indirectly controlled by a director, supervisor or senior officer or any of his/her close relatives, or an affiliated party having any other relationship with a director, supervisor or senior officer, concludes a contract or engages in a transaction with the company, the provisions of the preceding paragraph shall apply.

Directors, supervisors or senior officers shall not take advantage of their powers to seek business opportunities that belong to the company for themselves or any other persons, except in any of the following circumstances:

(i) Report has been made to the Board of Directors or general meeting and it has been approved by the Board of Directors or general meeting in accordance with the articles of association; or

(ii) The company is unable to make use of such business opportunities in accordance with the provisions of laws, administrative regulations or the articles of association.

Directors, supervisors and senior officers shall not operate the same kind of business as the company they work in for themselves or for another person without reporting to the Board or the general meeting and passing a resolution by the Board or the general meeting in accordance with the provisions of the articles of association.

Directors, supervisors and senior officers shall be liable for compensation if they violate laws, administrative regulations or the articles of association in performing their powers and functions, thereby causing losses to the company.

Financial and Accounting

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

A joint stock company shall, in 20 days prior to the convening of the annual general meeting, make the financial and accounting report available at the company for examination by its shareholders; and a joint stock company that publicly issues its shares shall publicize its financial and accounting report.

When the company distributes the after-tax profits of the current year, it shall allocate 10% of the profits into the statutory surplus reserve. No further allocation is required if the aggregate amount of the statutory surplus reserve exceeds 50% of the registered capital of the company. Where the statutory surplus reserve of the company is not sufficient to cover its losses in the previous years, the profits of the current year shall be used to make up for the loss before the withdrawal of the statutory surplus reserve in accordance with the above provisions. After the company has allocated the statutory surplus reserve from its after-tax profits, it may, as per the general meeting or upon a resolution made by the general meeting, allocate a discretionary surplus reserve from its after-tax profits.

A joint stock company shall distribute profits in accordance with the shareholding proportion of its shareholders, unless otherwise provided for in its articles of association.

The premium income from issuing shares of a joint stock company at a price above the par value of the shares, the proceeds from issuing shares without par value which has not been included in the registered capital, and other gains which are required to be allocated to the capital reserve by the financial department under the State Council shall be allocated to the capital reserve of the company.

The surplus reserve of the company shall be used to cover the company's losses, expand its production and operation, or increase its capital. To make up for the company's losses, the company shall first use the discretionary surplus reserve and statutory surplus reserve; If they are insufficient, the capital reserve can be used in accordance with the regulations. Upon the conversion of statutory surplus reserve into registered capital, the balance of the statutory surplus reserve shall not be less than 25% of the registered capital of the company before such conversion.

The company shall not have separate accounting books other than the statutory ones.

Appointment and Dismissal of Accounting Firms

According to the Company Law, the appointment or dismissal of accounting firms undertaking the audit of a company shall be decided by the general meeting, the Board of Directors or the Supervisory Committee according to the articles of association. The accounting firm should be allowed to make representations when the general meeting, Board of Directors or Supervisory Committee conducts a vote on the dismissal of the accounting firm. The company shall ensure the provision to the accounting firm appointed of true and complete accounting vouchers, accounting books, financial accounting reports and other accounting information, and shall not refuse to provide the required information, hide any information or provide any false information.

According to the Guidance on Articles of Association, the company shall ensure the provision to the accounting firm appointed of true and complete accounting vouchers, accounting books, financial accounting reports and other accounting information, and shall not refuse to provide the required information, hide any information or provide any false information. The audit fee for the accounting firm shall be decided by the general meeting.

Profit Distribution

If a company distributes profits to its shareholders in violation of the Company Law, the shareholders concerned shall return such distributed profits to the company. Shareholders causing any loss the company and the responsible directors, supervisors and senior officers shall undertake liability for compensation.

Dissolution and Liquidation

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

(i) the business term as specified in the articles of association expires or any other dissolution event occurs as specified in the articles of association;

(ii) the general meeting or a resolution of the general meeting resolves to dissolve the company;

(iii) a dissolution is required due to merger or division of the company;

(iv) the company is revoked of business license, ordered to close or canceled according to law;

(v) there is severe difficulty in the operation and management of the company, and the continued existence of the company will have material prejudice to the interests of the shareholders and there is no other way to resolve, shareholders who hold an aggregate of over ten percent of all voting rights can make a petition to the people's court to dissolve the company.

If the company encounters any of the dissolution causes specified in the preceding paragraph, it shall publicize the dissolution causes through the National Enterprise Credit Information Publicity System within 10 days.

If the company is in the situations of item (i) above, it may survive by amending the articles of association or by a resolution of the general meeting, which shall require the affirmative votes of more than two-thirds of the voting rights held by the shareholders present at the meeting. If the company is dissolved under item (i), (ii), (iv) or (v) above, it shall be liquidated. The directors shall be the liquidation obligors of the company, and shall form a liquidation committee to liquidate the company within 15 days after the occurrence of any event leading to dissolution. The liquidation committee shall be composed of directors, except as otherwise provided in the articles of association or as otherwise elected by the resolution of the general meeting. Where the liquidation obligors fail to perform their liquidation obligations in a timely manner, thereby causing losses to the company or the creditors, they shall be liable for compensation.

Where the liquidation committee fails to be established within the time limit or fails to conduct liquidation after its establishment, any interested parties may apply to the people's court for appointing relevant personnel to form a liquidation committee and conduct liquidation. The people's court shall accept such application, and form a liquidation committee in a timely manner to conduct liquidation.

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

(i) to liquidate the company's property and prepare separate balance sheets and lists of property;

(ii) to notify creditors by a notice or public announcement;

(iii) to handle the outstanding business of the company related to liquidation;

(iv) to pay the taxes owed and taxes incurred in the course of liquidation;

(v) to clear claims and debts;

(vi) to distribute the remaining property after the company has paid off its debts;

(vii) to participate in civil litigation activities on behalf of the company.

The liquidation committee shall, within 10 days of its establishment, notify the company's creditors, and make an announcement on newspapers or the National Enterprise Credit Information Publicity System within 60 days. Creditors shall, within 30 days since the date of receiving the notice, or for those who do not receive the notice, within 45 days since the date of the public announcement, report their claims to the liquidation committee.

After paying off the liquidation expenses, employees' wages, social insurance premiums, statutory compensation, outstanding taxes and company debts, the remaining assets of the company shall be distributed in proportion to the shareholdings of the shareholders.

During the liquidation period, the company still exists but shall not carry out any business activities not related to liquidation. The company's assets shall not be distributed to shareholders unless and until the aforesaid liabilities have been settled.

Upon the thorough liquidation of the company's assets and preparation of the balance sheet and list of property, if the liquidation committee discovers that the company's assets are insufficient to repay its debts, it shall apply to the people's court for bankruptcy liquidation. After the people's court accepts the application for bankruptcy, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator appointed by the people's court.

Upon the completion of the liquidation, the liquidation committee shall prepare a liquidation report, and submit it to the general meeting or the people's court for ratification, and submit it to the company registration authority for de-registration.

The liquidation committee members shall perform their duties faithfully and diligently. Where a member of the liquidation committee neglects to perform the liquidation duties and causes losses to the company, he/she shall be liable for compensation. Where losses are caused to creditors due to intentional acts or gross negligence, he/she shall be liable for compensation.

Where a company has had its business license revoked, has been ordered to close, or has been canceled, and has failed to apply to the company registration authority for de-registration within three years, the company registration authority may publish an announcement through the National Enterprise Credit Information Publicity System. The announcement period shall be no less than sixty days. If there is no objection upon the expiration of the announcement period, the company registration authority may cancel the registration of the company.

Overseas Listing

Pursuant to the Trial Measures, issuers conducting an initial public offering or listing overseas shall file with the CSRC within 3 working days after submitting the application documents for the overseas issuance or listing. Where the issuer issues securities in the same overseas market following the overseas issuance and listing, it shall file with the CSRC within 3 working days upon the completion of the issuance. Where the issuer issues securities in other overseas markets following the overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of this Article. If the filing materials are complete and compliant, the CSRC shall, within 20 working days upon receipt of the materials, complete the filing process and publicize the filing information on its website. If the filing materials are incomplete or non-compliant, the CSRC shall, within 5 working days upon receipt of the materials, notify the issuer of the supplementary materials to be submitted. The issuer shall, within 30 working days, submit the supplementary materials.

Loss of Share Certificates

If the registered share certificate is stolen, lost or destroyed, the shareholder may request the people's court to declare the share certificate invalid in accordance with the public notice procedure as stipulated in the Civil Procedure Law of the People's Republic of China. After the people's court has declared the share certificate invalid, the shareholder may apply to the company for a replacement of the share certificate.

Suspension and Termination of Listing

The Company Law has had the provisions regarding suspension and termination of listing removed. The Securities Law of the People's Republic of China amended on December 28, 2019 and coming into force on March 1, 2020 has had the provisions regarding suspension of listing removed. If the listed securities are subject to the delisting circumstance as stipulated by the stock exchange, the stock exchange shall terminate the listing and trading of such securities in accordance with it listing rules.

Pursuant to the Trial Measures, where an issuer voluntarily terminates its listing or is subject to mandatory delisting, it shall report the details to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

Securities Laws and Regulations

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC was the regulatory arm of the Securities Committee, responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. On March 29, 1998, the State Council merged the two organizations and reformed the CSRC.

The Provisional Regulations on the Administration of Stock Issuance and Trading, promulgated by the State Council and put into effect on April 22, 1993, provide for the application and approval procedures for the public issuance of shares, the trading of shares, the acquisition of listed companies, the safekeeping of listed shares, the liquidation and transfer of shares, the disclosure of information by listed companies, investigations and penalties, as well as the arbitration of disputes.

The Regulations of the State Council on Domestically Listed Foreign Shares of Joint Stock Limited Companies promulgated by the State Council and put into effect on December 25, 1995, mainly provide for the issuance, subscription, purchase and sale of domestically listed foreign shares, payment of dividends, as well as the disclosure of information by joint stock companies that own domestically listed foreign shares.

The Securities Law of the People's Republic of China revised by the Standing Committee of the National People's Congress on December 28, 2019 and coming into effect on March 1, 2020 (the "PRC Securities Law") includes a series of regulations concerning (among others) the issuance and trading of securities in China, the acquisition of listed companies, stock exchanges, securities companies, and the duties and responsibilities of the State Council's securities regulatory authority, and comprehensively regulates the activities of the Chinese securities market. The PRC Securities Law provides that domestic enterprises that directly or indirectly issue securities overseas or list and trade their securities overseas shall comply with the relevant regulations of the State Council. At present, the issuance and trading of overseas issued securities are mainly regulated by rules and regulations promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitration Awards

According to the Arbitration Law of the People's Republic of China amended by the Standing Committee of the National People's Congress on September 1, 2017 and effective as of January 1, 2018 (the "Arbitration Law"), the Arbitration Law applies to foreign economic disputes where the parties have entered into a written agreement to submit the matter to arbitration before an arbitration commission constituted in accordance with the Arbitration Law. Before the China Arbitration Association formulates its arbitration rules, the Arbitration Commission may formulate provisional rules for arbitration in accordance with the relevant provisions of the Arbitration Law and the Civil Procedure Law of the People's Republic of China. If the parties choose to resolve disputes through arbitration, and one party files a lawsuit with the court, the court will not accept it.

According to the Arbitration Law, the arbitration award shall be final and conclusive, and binding on all parties involved in the arbitration. If one of the parties fails to comply with the award, the other party to the award may apply to the people's court to enforce the arbitral award in accordance with the Civil Procedure Law of the People's Republic of China. If the arbitration procedure is illegal (including but not limited to violations of statutory procedures in the composition of the arbitral tribunal, the matters adjudicated falling outside the scope of the arbitration agreement, or the lack of jurisdiction by the arbitration commission), the people's court may rule that the arbitration award rendered by the arbitration commission shall not be enforced. Where one party seeks to enforce an arbitral award of a foreign-related arbitration commission against the other party, and the person against whom the award is to be enforced or whose property is not located in the territory of the People's Republic of China, the party shall apply directly to a court of competent jurisdiction for recognition and enforcement. Similarly, arbitral awards made by foreign arbitral institutions may also be recognized and enforced by Chinese courts in accordance with the principle of reciprocity or any international treaty signed or acceded to by China.

Pursuant to the Arrangement of the Supreme People's Court Concerning Reciprocal Enforcement of Arbitral Awards between the Chinese Mainland and the Hong Kong Special Administrative Region promulgated by the Supreme People's Court on January 24, 2000 and coming into effect on February 1, 2000, and the Supplementary Arrangement of the Supreme People's Court Concerning Reciprocal Enforcement of Arbitral Awards between the Chinese Mainland and the Hong Kong Special Administrative Region promulgated by the Supreme People's Court on November 26, 2020 and coming into force on November 27, 2020, awards made by arbitral institutions in Chinese Mainland are enforceable in Hong Kong and Hong Kong arbitral awards are enforceable in Chinese Mainland.