The PRC Legal System

The PRC legal system is based on the Constitution of the People's Republic of China (《中華人民共和國憲法》) (the "**Constitution**") and comprises written laws, administrative regulations, local regulations, departmental rules and local government rules, ratified international treaties, and supplementary normative documents. Court rulings do not constitute legally binding precedents, but may be used as judicial references. The Supreme People's Court may issue judicial interpretations that are binding in fact.

Pursuant to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (2023 Revised Edition), the legislative power is vested to the National People's Congress ("**NPC**") and its Standing Committee. The NPC enacts fundamental laws governing civil and criminal matters and state organs; the Standing Committee of the NPC enacts the laws other than fundamental laws and may, during the recess of the NPC, supplement and amend the laws enacted by the NPC, provided that such laws so supplemented and amended do not conflict with the fundamental principles of those laws.

The State Council, as the highest administrative organ, enacts administrative regulations. Provincial-level People's Congresses may enact local regulations in accordance with the specific circumstances and practical needs of their respective regions, provided that they comply with superior laws. Ministries and committees under the State Council, as well as local governments, may enact rules within the scope of their authorisation.

The Constitution has supreme legal authority. All laws and regulations must conform to the Constitution; the authority of laws takes precedence over that of administrative regulations, local regulations and rules, while the authority of administrative regulations takes precedence over that of local regulations and rules.

The NPC is empowered to repeal laws enacted by the Standing Committee of the NPC or regulations approved by it that conflict with the Constitution or the Legislation Law. The Standing Committee of the NPC is empowered to repeal administrative regulations and local regulations that conflict with the Constitution or laws. The State Council and provincial-level organs have similar powers to repeal and amend subordinate rules.

Under the Constitution and the Legislation Law, the power to interpret laws is vested exclusively to the Standing Committee of the NPC. Pursuant to the 1981 Resolution on Strengthening the Legal Interpretation, the Supreme People's Court may interpret issues concerning the specific application of laws in trials. Enacting bodies of administrative and local rules retain the power to interpret the rules they have promulgated.

The PRC Judicial System

Pursuant to the Constitution and the Organisation Law of the People's Courts of the PRC (《中華人民共和國人民法院組織法》) (2018 Revised Edition), the judicial system comprises the Supreme People's Court, local People's Courts at all levels (basic, intermediate and higher People's Courts) and special People's Courts. Superior People's Courts supervise the trials of subordinate People's Courts, while the People's Procuratorates exercise legal supervision over civil proceedings. The Supreme People's Court supervises the trials nationwide.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (2023 Revised Edition), which came into force on January 1, 2024, governs civil proceedings, including jurisdiction, rules of procedure and the enforcement of judgments. Civil cases generally fall within the jurisdiction of the People's Court where the defendant is domiciled. The parties may agree in writing to select a People's Court with jurisdiction (such as the place of the plaintiff's domicile, the place of the defendant's domicile, or the place of performance of the contract), provided that such selection complies with the provisions on hierarchical jurisdiction and exclusive jurisdiction.

Foreign parties shall be entitled to the same litigation rights as Chinese parties, but shall engage a Chinese lawyer to represent them in proceedings. The principle of reciprocity applies: if a foreign court restricts the litigation rights of a Chinese party, the Chinese People's Court may impose corresponding restrictive measures on parties from that foreign country. International judicial assistance (such as the service of documents and the taking of evidence) may be provided in accordance with treaties or the principle of reciprocity, subject to exceptions related to sovereignty and the public interest.

Judgments and arbitral awards that have taken legal effect shall be enforced. In the event of non-compliance, the prevailing party may apply to the People's Court for the enforcement within two years. Where the judgment debtor or assets are located abroad, an application for recognition and enforcement may be made directly to a foreign court, or through treaties and the principle of reciprocity. Likewise, Chinese courts recognise and enforce effective judgments of foreign courts that meet the prescribed conditions, provided that such recognition does not violate fundamental legal principles, sovereignty, security or the social public interest.

Company Law of the PRC

The Company Law of the PRC was promulgated by the Standing Committee of the National People's Congress on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018.The latest revised edition was made on December 29, 2023 and came into effect on July 1, 2024. A summary of the main provisions of the Company Law is as follows.

General Provisions

A joint stock limited company is a corporate legal person incorporated in the PRC under the Company Law who has independent legal person property and the rights over such legal person property. A company shall be liable for the debts of the company with all its assets. The shareholders of a joint stock limited company shall be liable to the company to the extent of the number of shares subscribed by them.

Establishment

A joint stock limited company may be established by way of promotion or subscription. A joint stock limited company shall be established by a minimum of one but not more than 200 promoters, and at least half of the promoters shall have residence within the PRC. Where a joint stock limited company is established by way of promotion, the promoters shall subscribe for the entire shares to be issued upon the establishment of the company as stipulated in the articles of association. Where a joint stock limited company is established by way of subscription, the shares subscribed for by the promoters shall not be less than 35% of the total number of shares to be issued upon the establishment of the company as stipulated in the articles of association, unless otherwise provided by the laws or administrative regulations.

Where a joint stock limited company is established by way of promotion, the promoters shall subscribe for the entire shares to be issued upon the establishment of the company as stipulated in the articles of association, and shall contribute capital in accordance with the provisions of the articles of association. Where capital is contributed in the form of non-monetary property, the procedures for the transfer of property rights shall be completed in accordance with the laws. Where a promoter fails to contribute capital in accordance with the preceding paragraph, or where the actual price of the non-monetary property contributed is significantly lower than the price of the shares subscribed for, other promoters shall bear joint liabilities with that promoter to the extent of the shortfall in capital contribution. After the promoters have fully made their subscriptions and capital contributions in accordance with the articles of association, they shall elect the board of directors and the supervisory board; the board of directors shall then submit other documents prescribed by the articles of association and the laws and administrative regulations to the company registration authority to apply for the registration of establishment.

Where a company is established by way of subscription, the shares subscribed for by the promoters shall not be less than 35% of the total number of shares to be issued upon the establishment of the company as stipulated in the articles of association, unless otherwise provided by laws or administrative regulations. Where promoters offer shares to the public, they shall publish a document and prepare a subscription letter. The subscription letter shall specify the number of shares subscribed for, the amount of the subscription and the subscribers' domicile, and shall be signed or sealed by the subscriber. Subscribers shall pay the subscription monies in full in accordance with the shares subscribed. Where a company publicly offers shares to the public, the offering shall be underwritten by a securities company lawfully established, and an underwriting agreement shall be entered into. Where a company offers shares to the public, it shall also enter into agreement with a bank for the collection of subscription monies. The bank collecting the subscription monies shall, in accordance with the agreement, collect and hold the payments, issue receipts to subscribers who have paid the subscription monies, and shall be obliged to issue proof of receipt to the relevant authorities. Once the subscription monies for the issued shares have been paid in full, they shall be verified by a capital verification institution established in accordance with the laws, which shall issue a certificate of payment receipt. The promoters shall, upon the establishment of the company, convene the inaugural meeting of the company within thirty days from the date on which the subscription monies are paid in full. The inaugural meeting shall be composed of subscribers, and the voting rights held by the subscribers attending the meeting shall constitute a majority. If the shares issued upon the establishment of the company have not been fully subscribed, or if the shares issued have not been fully subscribed by the deadline specified in the document, or if the promoters have failed to convene the inaugural meeting within thirty days after the subscription monies have been paid in full, the subscribers may demand that the promoters return the subscription monies already paid, together with interest calculated at the rate applicable to bank deposits for the same period. Within thirty days after the conclusion of the inaugural meeting, the board of directors shall authorise its representative to apply to the company registration authority for the registration of incorporation. Upon registration by the company registration authority and the issuance of a business licence, the company shall be deemed to have been incorporated and have the capacity of a legal person.

The legal consequences of civil acts performed by the shareholders at the time of the company's establishment for the purpose of establishing the company shall be borne by the company. If the company is not incorporated, the legal consequences shall be borne by the shareholders at the time of establishment. Where there are two or more such shareholders at the time of establishment, they shall be entitled to joint and several rights over claims and bear joint and several liabilities on debts. In respect of civil liabilities arising from civil acts performed by the shareholders at the time of establishment in their own names for the purpose of establishing the company, a third party shall have the right to choose to claim against either the company or the shareholders at the time of establishment. Where a founding shareholder causes harm to another person in the course of performing duties relating to the establishment of the company, the company or the shareholders without fault shall bear liabilities and may subsequently seek recourse against the shareholder at fault.

Registered Capital

Promoters may make a capital contribution in the form of currency, or in the form of non-monetary property such as in kind, intellectual property rights, land use rights, equity interests or claims, which can be appraised with monetary value and transferred lawfully, except for property prohibited from being used as capital contributions under the laws and administrative regulations. Non-monetary property as capital contribution shall be appraised and verified; the valuation shall not be overstated or understated. Where the laws and administrative regulations contain provisions regarding the appraisal of value, such provisions shall prevail.

The issue of shares shall be conducted in accordance with the principles of fairness and impartiality. Each share of the same class shall carry equal rights. For shares of the same class issued at the same time, the terms and price per share shall be the same. All subscribers shall pay the same price for each share subscribed. A company issuing class shares shall specify the following matters in its articles of association: (1) the order of distribution of profits or residual property to class shares; (2) the number of voting rights per class share; (3) restrictions on the transfer of class shares; (4) measures to protect the rights and interests of minority shareholders; (5) other matters deemed necessary to be specified by the shareholders' meeting.

The shares of a company shall take the form of share certificates. A share certificate is an evidence issued by the company certifying the shares held by a shareholder. Shares issued by a company shall be registered shares. The issue price of share certificates with a par value may be equal to or exceed the par value, but shall not be less than the par value. A company within the PRC wishing to offer shares to the public overseas shall submit a filing report with the CSRC. Pursuant to the Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**"), the target investors for the overseas issuance and listing of domestic enterprises shall be overseas investors, unless otherwise provided for in the Interim Measures or by national regulations.

Increase in Registered Capital

Pursuant to the relevant provisions of the Company Law, where a company issues new shares, a resolution shall be made by the shareholders' meeting in accordance with the provisions of the articles of association. The resolution shall specify the class and number of new shares, the issue price of new shares, the starting and closing dates of the issue, and the class and number of new shares to be issued to existing shareholders. Where shares without par value are issued, a resolution shall also be made regarding the amount of the proceeds from the issue of new shares to be credited to the registered capital.

Reduction of Registered Capital

A company reducing its registered capital shall follow the procedures prescribed in the Company Law as follows: (1) the company shall prepare a balance sheet and a list of property; (2) the reduction of registered capital shall be approved by a resolution at the shareholders' meeting;(3) the company shall notify its creditors within ten days after the date of the resolution to reduce the registered capital, and shall publish an announcement in a newspaper or on the National Enterprise Credit Information Publicity System within thirty days; (4) creditors shall have the right to demand that the company settle its debts or provide corresponding guarantees within thirty days after the receipt of such notice, or within forty-five days from the date of announcement if they have not received such notice; and (5) the company shall apply to the company registration authority for a registration of change.

Share Repurchase

Pursuant to the Company Law, a company shall not acquire its own shares, except in any of the following circumstances: (1) to reduce the company's registered capital; (2) to merge with another company holding shares in the company; (3) to use shares for an employee share ownership scheme or share incentive; (4) where shareholders objecting to a resolution of the shareholders' meeting regarding a merger or demerger of the company request the company to acquire their shares; (5) where shares are used to convert corporate bonds issued by a listed company that are convertible into shares; and (6) where it is necessary for a listed company to safeguard the company's value and the rights and interests of shareholders.

Where the company acquires its own shares in accordance with the above provisions, in the case of circumstance (1), such shares shall be cancelled within ten days from the date of acquisition; where the circumstances fall under (2) and (4), such shares shall be transferred or cancelled within six months; where the circumstances fall under (3), (5) and (6), the total number of its own shares held by the company shall not exceed 10% of the total number of the company's issued shares, and such shares shall be transferred or cancelled within three years.

Where a listed company acquires its own shares, it shall fulfil its information disclosure obligations pursuant to the provisions of the Securities Law of the PRC (《中華人民共和國證券法》). Where a listed company acquires its own shares in circumstances falling under (3), (5) and (6) of this Article, such acquisition shall be conducted through public centralised trading.

The company shall not accept its own shares as the subject of pledge.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the law. Pursuant to the Company Law, the transfer of shares by a shareholder shall be conducted on a legally established stock exchange or in any other manner prescribed by the State Council. The transfer of shares shall be effected by the shareholder endorsing the reverse of the share certificate or in any other manner prescribed by laws and administrative regulations. Following the transfer, the company shall record the name and domicile of the transferee in the register of members. No changes to the register of members shall be made within 20 days prior to the convening of a shareholders' meeting or within 5 days prior to the record date of entitlement for the distribution of dividends, unless otherwise provided for in the laws, administrative regulations or by the State Council's securities regulatory authority regarding changes to the register of members of listed companies.

Pursuant to the Company Law, shares issued prior to a public offering of a company shall not be transferred within one year from the date on which the company's shares are listed for trading on a stock exchange. Where laws, administrative regulations or the State Council's securities regulatory authority provide otherwise for the transfer of shares held by shareholders or de facto controllers of listed companies, such provisions shall prevail.

Directors, supervisors and senior management of a company shall declare to the company the shares they hold in the company and any changes thereto. During their term of office, the number of shares transferred in any particular year shall not exceed 25% of the total number of shares they hold in the company. The aforementioned personnel shall not transfer the shares they hold in the company within one year from the date on which the company's shares are listed for trading, nor shall they transfer such shares within six months from leaving office. The articles of association may impose other restrictive provisions on the transfer of shares held by the company's directors, supervisors and senior management. Where shares are pledged during the restricted transfer period prescribed by laws and administrative regulations, the pledgee shall not exercise the pledge right during that period.

Shareholders

Pursuant to the Company Law, the rights of shareholders include: (1) the right to receive returns on assets, participate in major decision-making and select management personnel; (2) where the procedures for convening shareholders' meetings or meetings of the board of directors, or the voting methods, contravene the laws, administrative regulations or the articles of association, or where the content of a resolution contravenes the articles of association, the right to petition the People's Court to revoke such resolution within sixty days from the date of its adoption; (3) the right to transfer their shares in accordance with the laws;(4) the right to attend or to appoint a proxy to attend shareholders' meetings and exercise voting rights; (5) the right to inspect and reproduce the articles of association, the register of members, minutes of shareholders' meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports, and to make suggestions or raise queries regarding the company's operations; (6) the right to receive dividends in proportion to the number of shares held; (7) upon the liquidation of the company, the right to participate in the distribution of the company's residual property in proportion to the number of shares held; and (8) other shareholder rights as stipulated by the laws, administrative regulations, other normative documents and the articles of association.

The obligations of shareholders include complying with laws, administrative regulations and the Articles of Association, exercising the shareholders' rights according to law, paying the subscription monies for the shares subscribed for, bearing liabilities for the company's debts to the extent of the number of shares subscribed for, and other obligations as stipulated in the articles of association.

After the company's incorporation, the board of directors shall verify the capital contributions of shareholders. If it is found that a shareholder has failed to pay the capital contribution as specified in the articles of association in full as scheduled, the company shall issue a written demand for payment to that shareholder. If the failure to fulfil the obligation specified in the preceding paragraph in a timely manner causes any loss to the company, the directors responsible shall bear liabilities for compensation. Where a shareholder fails to pay the capital contribution by the date as specified in the articles of association, and the company issues a written demand for payment in accordance with the preceding paragraph, the demand may specify a grace period for the payment of capital contribution; such grace period shall be no less than sixty days from the date on which the demand is issued by the company. If, upon expiry of the grace period, the shareholder still fails to fulfil his/her obligation on capital contribution, the company may, by a resolution of the board of directors, issue a notice of forfeiture, which shall be issued in writing, to that shareholder. From the issue date of the notice, the shareholder shall forfeit the equity interests corresponding to the unpaid capital contribution. The equity interests forfeited in accordance with the preceding paragraph shall be transferred in accordance with the laws, or the registered capital shall be reduced accordingly and the equity interests shall be cancelled; if the equity interests are not transferred or cancelled within six months, other shareholders of the company shall pay the corresponding capital contribution in full in proportion to their capital contributions. If a shareholder objects to the forfeiture, he or she shall bring an action before the People's Court within thirty days from the receipt of such notice of forfeiture.

Shareholders' Meeting

The shareholders' meeting is the company's governing body and shall exercise its functions and powers in accordance with the Company Law. The shareholders' meeting may exercise the following functions and powers: (1) to elect and replace directors and supervisors, and to determine matters related to the remuneration of directors and supervisors; (2) to consider and approve the reports of the board of directors; (3) to consider and approve the reports of the board of supervisors; (4) to consider and approve the company's profit distribution proposals and proposals of making up losses;(5) to make resolutions on the increase or reduction of the company's registered capital; (6) to resolve the issue of corporate bonds; (7) to resolve the merger, demerger, dissolution, liquidation or change of the company's form; (8) to amend the articles of association; and (9) to exercise other functions and powers as prescribed in the articles of association. The shareholders' meeting may authorise the board of directors to resolve the issue of corporate bonds.

Pursuant to the Company Law, the shareholders' meeting shall be convened once a year. An extraordinary shareholders' meeting shall be convened within two months in any of the following circumstances: (1) where the number of directors falls below two-thirds of the number as prescribed by the Company Law or the articles of association; (2) where the company's uncovered losses reach one-third of the total paid-up share capital; (3) where the request is made by shareholders holding, individually or collectively, 10% or more of the company's shares; (4) where the board of directors deems it necessary; (5) where the board of supervisors proposes to convene such meeting; or (6) other circumstances specified in the articles of association.

The shareholders' meeting shall be convened by the board of directors and chaired by the chairman. If the chairman is unable to perform his/her duties or fails to do so, the vice-chairman shall preside over the meeting. If the vice-chairman is unable to perform his/her duties or fails to do so, the meeting shall be presided over by a director jointly nominated by a majority of the directors. Where the board of directors is unable to perform or fails to perform its duty to convene a shareholders' meeting, the board of supervisors shall promptly convene and preside over the meeting. Where the board of supervisors fails to convene and preside over the meeting, shareholders holding, individually or collectively, 10% or more of the company's shares for ninety or more consecutive days may convene and preside over the meeting themselves. Where shareholders holding, individually or collectively, 10% or more of the company's shares request the convening of an extraordinary shareholders' meeting, the board of directors and the board of supervisors shall, within ten days of the receipt of such request, decide whether to convene the extraordinary shareholders' meeting and provide a written response to the shareholders.

Pursuant to the Company Law, notices of shareholders' meetings shall be given to all shareholders twenty days prior to the meetings; such notices shall specify the date, venue and matters to be considered at the meeting. Notices of extraordinary shareholders' meetings shall be given to all shareholders fifteen days prior to the meetings.

Shareholders holding, individually or collectively, one per cent or more of the company's shares may submit a provisional proposal to the board of directors in writing ten days prior to the meeting. Such a provisional proposal shall specify clear issues and specific matters to be resolved. The board of directors shall notify other shareholders within two days from the receipt of such proposal and shall submit the provisional proposal to the shareholders' meeting for consideration, unless the content of the proposal violates the laws, administrative regulations or the articles of association, or falls outside the scope of functions and powers of the shareholders' meeting. The company shall not raise the shareholding threshold for shareholders submitting provisional proposals. A company whose shares are publicly offered shall issue the notices specified in the preceding two paragraphs by way of public announcements. The content of a provisional proposal shall fall within the scope of the functions and powers of the shareholders' meeting and shall include clear issues and specific matters to be resolved. The shareholders' meeting may not pass resolutions on matters not listed in the notice.

Pursuant to the Company Law, each share held by a shareholder present at the meeting shall carry one voting right, except for class shareholders. Shares in the company held by the company itself shall not carry voting rights.

When electing directors and supervisors, the shareholders' meeting may, in accordance with the provisions of the articles of association or a resolution of the shareholders' meeting, adopt a cumulative voting system. The cumulative voting system means that, when the shareholders' meeting elects directors or supervisors, each share carries a number of voting rights equal to the number of directors or supervisors to be elected, and the voting rights held by a shareholder may be concentrated for use in favour of one or more directors or supervisors at the time of voting.

Pursuant to the Company Law, the adoption of resolutions of the shareholders' meeting shall be passed by a majority of the voting rights held by the shareholders present at the meeting; however, the adoption of resolutions concerning the merger, demerger, dissolution, increase in or reduction of the registered capital, change of corporate form, or amendment of the articles of association shall be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where a shareholder appoints a proxy to attend a shareholders' meeting, the matters to be acted upon, the scope of authority and the duration of the proxy's mandate shall be clarified; the proxy shall submit the shareholders' power of attorney to the company and shall exercise voting rights within the scope of authorisation.

The shareholders' meeting shall prepare minutes of the decisions made on the matters considered, and the chairperson and directors present at the meeting shall endorse such minutes by signature. The minutes shall be kept together with the register of shareholders' attendance and the proxy forms.

Board of Directors

Pursuant to the Company Law, a joint stock limited company shall establish a board of directors; however, a joint stock limited company of a smaller scale or with a limited number of shareholders may choose not to establish a board of directors, but to appoint a single director instead to exercise the functions and powers of the board of directors as prescribed by the Company Law. Such director may also serve as the manager of the company.

Where a company's board of directors comprises three or more members, it shall include employee representatives of the company. In a company with limited liability having three hundred or more employees, unless a board of supervisors has been established in accordance with the laws and includes employee representatives of the company, the board of directors shall include employee representatives of the company. Employee representatives in the board of directors shall be elected by the company's employees at the employee representative assembly, employee assembly or other forms of democratic election.

Pursuant to the Company Law, a joint stock limited company shall establish a board of directors comprising three or more members. The board of directors may include employee representatives of the company as members, who shall be elected by the company's employees at the employees representative assembly, employees assembly or other forms of democratic election. The term of office of directors shall be prescribed in the articles of association, but shall not exceed three years for each session. Upon the expiry of a director's term of office, he or she may be re-elected. If a director's term expires but a re-election is not held in a timely manner, or if a director resigns during his or her term of office, thus resulting in the number of members in the board of directors to fall below the statutory minimum, the original director shall continue to perform his or her duties in accordance with the provisions of the laws, administrative regulations and the articles of association until the newly elected directors assume office. A director who resigns shall notify the company in writing; the resignation shall take effect upon delivery of the notice to the company. However, in the circumstances specified in the preceding paragraph, the director shall continue to perform his/her duties.

Pursuant to the Company Law, the board of directors shall exercise the following functions and powers: (1) to convene the shareholders' meeting and report its work status to the shareholders' meeting; (2) to implement the resolutions of the shareholders' meeting; (3) to determine the company's business plans and investment proposals; (4) to formulate the company's profit distribution proposals and proposals of making up losses; (5) to formulate proposals for increasing or reducing the company's registered capital and for issuing corporate bonds; (6) to formulate proposals for the company's merger, demerger, dissolution or change of corporate form; (7) to determine the establishment of the company's internal management bodies; (8) to determine the appointment or dismissal of the company's manager and matters related to his/her remuneration, and, based on the nomination by the manager, to determine the appointment or dismissal of the company's deputy manager, person in charge of finance and matters related to his/her remuneration; (9) to formulate the company's basic management systems; and (10) other functions and powers prescribed by the articles of association or conferred by the shareholders' meeting. Restrictions on the functions and powers of the board of directors imposed by the articles of association shall not be used against a bona fide counterparty.

The shareholders' meeting may pass a resolution to remove a director; such removal shall take effect from the date on which the resolution is passed. Where a director is removed before the expiry of his/her term without just cause, that director may claim compensation from the company.

Meetings of the Board of Directors

Pursuant to the Company Law, the meetings of the board of directors shall be convened at least twice a year, and the notice of each meeting shall be given to all directors and supervisors ten days prior to the meeting. Shareholders representing ten per cent or more of the voting rights, one-third or more of the directors, or the board of supervisors may propose the convening of an extraordinary meeting of the board of directors. The chairman shall convene and preside over the meeting of the board of directors within ten days from the receipt of such proposal. For the convening of an extraordinary meeting of the board of directors, alternative methods and time limits for giving notice may be determined. A meeting of the board of directors shall only be held if a majority of the directors are present. The adoption of resolutions of the board of directors shall be passed by a majority of all directors. Voting on the resolutions of the board of directors shall be on a one-person-one-vote basis. Directors shall attend the meetings of the board of directors in person; if a director is unable to attend for any reason, he/she may appoint another director to attend on his/her behalf in writing, and the power of attorney shall specify the scope of the authorisation. The board of directors shall prepare minutes of the decisions on the matters considered, and the directors present at the meeting shall endorse the minutes by signature.

Where a resolution of the board of directors contravenes the laws, administrative regulations, the articles of association or resolutions of the shareholders' meeting, thereby causing serious loss to the company, the directors who participated in the resolution shall be liable for compensation to the company. However, a director may be exempted from the liability if it is proven that he/she objected to the resolution at the time of voting and such objection was recorded in the minutes.

Pursuant to the Company Law, the board of directors shall have one chairman and may have a vice chairman. The chairman and vice chairman shall be elected by a majority of all directors. The chairman shall convene and preside over meetings of the board of directors and shall oversee the implementation of resolutions of the board of directors. The vice chairman shall assist the chairman in his/her duties; where the chairman is unable to perform his/her duties or fails to do so, the vice chairman shall perform such duties; where the vice chairman is unable to perform his/her duties or fails to do so, a director shall be jointly nominated by a majority of the directors to perform such duties.

Qualifications of Directors

A person shall not serve as a director of the company if any of the following circumstances apply: (1) the person lacks capacity or has limited capacity for civil liabilities; (2) the person has been sentenced to criminal punishment for corruption, bribery, embezzlement, misappropriation of property, or destruction of the socialist market economy order, or has been deprived of political rights due to a criminal offence, and less than five years have elapsed since the completion of the sentence; or, if a suspended sentence has been imposed, less than two years have elapsed since the expiry of the probationary period;(3) the person who is a former director, factory manager or manager of a company or an enterprise that has entered into bankruptcy and liquidation and who is personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise; (4) the person who served as the legal representative of a company or enterprise whose business licence was revoked or which was ordered to close due to illegal activities, and the person who bears personal responsibility, where less than three years have elapsed since the date on which the business licence of that company or enterprise was revoked or it was ordered to close; (5) the person who has been individually listed by a People's Court as a discredited person subject to enforcement proceedings due to failure to settle a substantial debt upon its maturity.

Where a company elects or appoints a director in breach of the preceding provisions, such election or appointment shall be invalid. Should any of the above circumstances arise during a director's term of office, the company shall remove the director from office.

Board of Supervisors

Pursuant to the Company Law, a joint stock limited company shall establish the board of supervisors; however, a joint stock limited company of a smaller scale or with a limited number of shareholders may choose not to establish the board of supervisors, but to appoint a single supervisor instead to exercise the functions and powers of the board of supervisors as prescribed by the Company Law. A joint stock limited company may, in accordance with the provisions of its articles of association, establish an audit committee under the board of directors comprised of directors to exercise the functions and powers of the board of supervisors as prescribed by the Company Law, and may therefore choose not to establish any board of supervisors or appoint any supervisor.

Audit Committee

Pursuant to the Company Law, the audit committee shall consist of three or more members. A majority of the members shall not hold any position in the company other than that as a director, nor shall they have any relationship with the company that might affect their independent and objective judgement. Employee representatives in the company's board of directors may serve as members of the audit committee.

The adoption of resolutions of the audit committee shall be passed by a majority of its members. Voting on resolutions of the audit committee shall be on a one-member-one-vote basis. The rules of procedures and voting procedures of the audit committee shall be prescribed in the articles of association.

Managers and Senior Management

Pursuant to the Company Law, the company shall appoint a manager, who shall be appointed or dismissed by the board of directors. The manager shall be accountable to the board of directors and shall exercise his/her functions and powers in accordance with the provisions of the articles of association or the authorisation of the board of directors. The manager shall attend meetings of the board of directors. The board of directors of the company may decide that a member of the board of directors shall concurrently serve as a manager.

Pursuant to the Company Law, senior management refers to the manager(s), deputy manager(s), person in charge of finance, the secretary to the board of directors of a listed company, and such other personnel as specified in the articles of association.

Obligations of Directors, Supervisors and Senior Management

Directors, supervisors and senior management shall comply with the laws, administrative regulations and the articles of association. Directors, supervisors and senior management shall have fiduciary obligations to the company, take measures to avoid conflicts of interest between their own interests and those of the company, and shall not use their powers to seek improper benefits. Directors, supervisors and senior management shall have diligent obligations to the company and exercise the reasonable care ordinarily expected of a management personnel in the best interests of the company during the performance of their duties. The provisions of the preceding paragraph shall apply to controlling shareholders and de facto controllers who do not serve as directors of the company but actually manage the company's affairs.

Directors, supervisors and senior management shall not engage in the following acts: (1) embezzling the company's property or misappropriating the company's funds; (2) depositing the company's funds into accounts opened in their own name or in the name of any other individual; (3) using their powers to offer or accept bribes or other unlawful income; (4) accepting and retaining commissions from transactions between others and the company;(5) disclosing company secrets without authorisation; (6) any other acts in breach of the fiduciary obligations to the company.

Directors, supervisors and senior management shall attend shareholders' meetings and respond to questions from shareholders.

Where directors, supervisors or senior management violate the provisions of the laws, administrative regulations or the articles of association, thereby causing any loss to the company during the performance of their duties, they shall be liable for compensation. Where directors or senior management violate the provisions of laws, administrative regulations or the articles of association, thereby doing any harm to the interests of shareholders, the shareholders may bring an action before the People's Court. Where a controlling shareholder or de facto controller of the company instructs a director or senior management personnel to engage in acts that harm the interests of the company or its shareholders, he/she shall bear joint liabilities with such director or senior management personnel.

Finance and Accounting

Pursuant to the Company Law, the company shall establish its own financial and accounting systems in accordance with the laws, administrative regulations and the provisions of the financial department of the State Council. The company shall prepare financial and accounting reports at the end of each accounting year and have them audited by an accounting firm in accordance with the laws. Financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the provisions of the financial department of the State Council. The company shall make its financial and accounting reports available at the company's premises for inspection by shareholders twenty-one days prior to the annual shareholders' meeting. A joint stock limited company that has issued shares to the public shall publish its financial and accounting reports.

When distributing its post-tax profits for the current year, the company shall set aside 10% of the profits as its statutory reserves. Where the accumulated amount of its statutory reserves reaches 50% or more of its registered capital, the company shall set aside no further statutory reserve. Where the company's statutory reserves are insufficient to offset losses for the previous year, the profits for the current year shall first be used to offset such losses before statutory reserves are set aside in accordance with the preceding paragraph. After setting aside the statutory reserves from the post-tax profits, the company may, upon the resolution of the shareholders' meeting, also set aside a discretionary reserve from the post-tax profits. The remaining post-tax profits after offsetting losses and setting aside reserves shall be distributed as follows: in a company with limited liability, profits shall be distributed in proportion to the shareholders' paid-up capital contributions, unless all shareholders agree otherwise; in a joint stock limited company, profits shall be distributed in proportion to the shareholding of the shareholders, unless otherwise provided in the articles of association. Profits shall not be distributed in respect of shares held by the company itself.

Where a company distributes profits to shareholders in breach of the provisions of the Company Law, the shareholders shall return the profits distributed in breach of the regulations to the company; where such breach causes any loss to the company, the shareholders and the directors, supervisors and senior management personnel who are responsible shall be liable for compensation.

The premium received from issuing shares at a price higher than their par value, proceeds from the issue of no-par-value shares not included in the registered capital, and other income to be included in the capital reserve as specified by the financial department of the State Council shall be classified as the company's capital reserve.

A company's reserves shall be used to offset the company's losses, expand its production and operation, or be converted to increase the company's capital. When using reserves to offset losses, discretionary reserves and statutory reserves shall be utilised first; if the losses still cannot be fully offset, capital reserves may be used in accordance with the regulations. When statutory reserves are converted into capital, the remaining amount of such reserves shall not be less than 25 per cent of the company's registered capital prior to the conversion.

Apart from the statutory accounting books, a company shall not maintain any other accounting books. No accounts may be opened in the name of any individual for the deposit of the company's funds.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the appointment and dismissal of an accounting firm undertaking the auditing engagement of the company shall be determined by the shareholders' meeting, the board of directors or the board of supervisors in accordance with the provisions of the articles of association. When the shareholders' meeting, the board of directors or the board of supervisors votes on the dismissal of an accounting firm, the firm shall be permitted to present its views.

The company shall provide the appointed accounting firm with true and complete accounting evidence, accounting books, financial and accounting reports and other accounting materials, and shall not refuse, conceal or misrepresent such information.

Distribution of Profits

Pursuant to the Company Law, a company shall not distribute profits before offsetting losses and setting aside statutory reserves.

Amendment of the Articles of Association

Pursuant to the Company Law, a resolution adopted by the shareholders' meeting to amend the articles of association shall be passed by not less than two-thirds of the voting rights held by the shareholders present at the meeting.

Dissolution and Liquidation

Pursuant to the Company Law, a company shall be dissolved for the following reasons: (1) the expiry of the business term as specified in the articles of association or the occurrence of other grounds for dissolution as specified therein; (2) a resolution of the shareholders' meeting to dissolve the company; (3) dissolution necessitated by a merger or demerger of the company; (4) suspension of the business licence, or being ordered to close down or to be revoked in accordance with the laws;(5) dissolution ordered by the People's Court in accordance with the relevant provisions of the Company Law. Where a company is dissolved pursuant to the preceding paragraph, it shall, within ten days from the occurrence of the grounds for dissolution, publish the reasons for its dissolution through the National Enterprise Credit Information Publicity System.

Where a company falls under the circumstance set out in (1) of the preceding paragraph and has not yet distributed its property to the shareholders, it may continue to exist by amending the articles of association or by adopting the resolution of the shareholders' meeting. In amending the articles of association or adopting a resolution of the shareholders' meeting in accordance with the preceding paragraph, a company with limited liability shall be subject to the approval of shareholders holding more than two-thirds of the voting rights, while a joint stock limited company shall be subject to the approval of shareholders holding more than two-thirds of the voting rights held by shareholders present at the shareholders' meeting.

Where a company faces serious difficulties in its operation and management, and its continued existence would result in significant loss to the interests of the shareholders, and such difficulties cannot be resolved by other means, shareholders holding more than 10% of the voting rights may apply to the People's Court for the dissolution of the company.

Where a company is dissolved pursuant to (1), (2), (4) and (5) of the preceding article, it shall undergo liquidation. The directors shall be the persons responsible for the company's liquidation and shall, within fifteen days from the occurrence of the grounds for dissolution, form a liquidation committee to conduct the liquidation. The liquidation committee shall consist of the directors, unless otherwise provided in the articles of association or a resolution of the shareholders' meeting to appoint other persons. Where the persons responsible for liquidation fail to fulfil their liquidation obligations in a timely manner, thereby causing any loss to the company or its creditors, they shall be liable for compensation. Where a liquidation committee is not formed within the prescribed time limit to carry out liquidation, or where a liquidation committee has been formed but liquidation is deliberately delayed, interested parties may apply to the People's Court to appoint relevant personnel to form a liquidation committee to carry out liquidation. The People's Court shall accept such an application and promptly organise a liquidation committee to carry out liquidation.

The remaining property of the company, after the payment of liquidation expenses, employees' wages, social insurance contributions and statutory compensation, as well as the settlement of outstanding taxes and debts of the company, shall be distributed in proportion to the shareholders' capital contributions in the case of a company with limited liability, and in proportion to the shareholding of the shareholders in the case of a joint stock limited company.

During liquidation, the company shall continue to exist but shall not engage in business activities not related to the liquidation. The company's property shall not be distributed to shareholders until its debt has been settled in accordance with the aforesaid provisions.

If it is found that the company's property are insufficient to settle its debts after the liquidation committee has liquidated the company's property and prepared the balance sheet and inventory of property, the committee shall apply to the People's Court for a declaration of bankruptcy in accordance with the laws.

Merger and Demerger

Under the Company Law, a company may merge through a merger by absorption or a merger by establishment of a new entity. A merger by absorption refers to one company absorbing another, whereby the absorbed company is dissolved. A merger by establishment of a new entity refers to two or more companies merged to establish a new company, with the merged parties being dissolved.

Overseas Listing

Pursuant to the Trial Measures for the Administration of Overseas Issuance of Securities and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC on February 17, 2023 and being effective from March 31, 2023, domestic enterprises in the PRC seeking to list overseas shall submit an application to the CSRC in accordance with these Measures. Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with the Measures.

Securities Laws and Regulations

The Securities Law of the PRC (《中華人民共和國證券法》) (the "**Securities Law**") came into force on July 1, 1999 and was amended on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, and the latest amendment to the Securities Law came into force on March 1, 2020. This is the first nationwide securities law in the PRC, comprising 14 chapters and 226 articles for regulation of the issuance and trading of securities, the acquisition of listed companies, the duties of stock exchanges, securities firms, and securities regulatory authority under the State Council. The Securities Law comprehensively regulates activities in the securities market in the PRC. Article 224 of the Securities Law stipulates that domestic enterprises issuing securities directly or indirectly overseas, or listing their securities for trading overseas, shall comply with the relevant provisions of the State Council. Currently, the issuance and trading of shares overseas are primarily governed by regulations and rules promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

Pursuant to the Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law"**), as last amended by the Standing Committee of the NPC on September 12, 2025 and implemented on March 1, 2026, the Arbitration Law applies to economic disputes involving foreign parties where the parties have entered into a written agreement to submit the matter to an arbitration institution constituted in accordance with the Arbitration Law. Where the parties have entered into an arbitration agreement and one party files a lawsuit before the People's Court, the People's Court shall not accept the case, except where the arbitration agreement is invalid as otherwise provided by law. Under the Arbitration Law, an arbitral award is final and binding on the parties. Should one party fail to comply with the award, the other party may apply to the People's Court for the enforcement of the arbitral award in accordance with the Civil Procedure Law of the PRC. Should the arbitral proceedings have been conducted in violation of the laws (including irregularity in the composition of the arbitration institution or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration institution), the People's Court may rule that the arbitral award issued by the arbitration institution shall not be enforced. Where a legally binding arbitral award has been made within the territory of the People's Republic of China and a party requests enforcement, if the respondent or their property are not located within the territory of the People's Republic of China, the party may apply directly to a competent foreign court for recognition and enforcement. Similarly, the People's Court may recognise and enforce arbitral awards made by foreign arbitral institutions in accordance with the principle of reciprocity or any international treaty to which China is a signatory or party. Pursuant to the Arrangements of the Supreme People's Court on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》), promulgated by the Supreme People's Court on January 24, 2000 and implemented on February 1, 2000, and the Supplementary Arrangement of the Supreme People's Court on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行

仲裁裁決的補充安排》), promulgated by the Supreme People's Court on November 26, 2020 and implemented on November 27, 2020 and May 19, 2021, awards made by arbitral authorities in Mainland China may be enforced in Hong Kong, and Hong Kong arbitral awards may also be enforced in Mainland China.

Judicial Judgments and Their Enforcement

Pursuant to the Supreme People's Court's Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented from August 1, 2008 (repealed on January 29, 2024), for an enforceable final judgment made by a court in Mainland China or Hong Kong court concerning a civil or commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to a court in Mainland China or a Hong Kong court for recognition and enforcement. The term "written agreement on jurisdiction" refers to agreements clearly stipulated in written form by parties concerned that a court in Mainland China or Hong Kong court has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. Therefore, the party concerned may apply to the court in Mainland China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in Mainland China or Hong Kong that meet certain conditions of the aforementioned regulations. On January 25, 2024, the Supreme People's Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"), which came into effect on January 29, 2024, and sought to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgements in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the PRC.