

APPENDIX IV SUMMARY OF PRINCIPAL LAWS AND REGULATORY PROVISIONS

This Appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to our Company’s operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in “Taxation and Foreign Exchange” in Appendix III to this document. For a discussion of laws and regulations which are relevant to our Company’s business, see “Regulatory Overview” in this document.

PRC LAWS AND REGULATIONS

PRC Legal System

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

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

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

The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

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

The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical culture protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after

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being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. The people’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people’s governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

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

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

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People’s Court of the PRC (the “**Supreme People’s Court**”) has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative

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regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such regulations and rules.

PRC Judicial System

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

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

Under the Constitution and the Law of Organization of the People’s Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》), the PRC People’s Procuratorates are divided into the Supreme People’s Procuratorate, local people’s procuratorates at various levels, and specialized people’s procuratorates such as the Military Procuratorate. The Supreme People’s Procuratorate is the highest procuratorial organ. The Supreme People’s Procuratorate directs the work of the local people’s procuratorates and specialized people’s procuratorates at all levels, and the people’s procuratorates at higher levels direct the work of the people’s procuratorates at lower levels.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) (the “**Civil Procedure Law**”), which was adopted in 1991 and last amended in 2023, sets forth the criteria for instituting a civil action, the jurisdiction of the people’s courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is generally heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff’s or the defendant’s domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country’s judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the principle of reciprocity to the citizens and enterprises of that foreign country within the PRC.

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If any party to a civil action refuse to comply with a judgement or ruling made by a people’s court or an award made by an arbitration panel in the PRC, the other party may apply to the people’s court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgement made by the court within the stipulated time, the court will, upon application by either party, enforce the judgement in accordance with the law.

A party seeking to enforce a judgement or ruling of a people’s court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgement or ruling. Where a judgment or ruling made by a foreign court which has come into legal effect requires recognition and enforcement by a people’s court, a party may apply directly to the intermediate people’s court which has jurisdiction for recognition and enforcement, or the foreign court may, pursuant to the provisions of the international treaty concluded or acceded to by the country of the foreign country and the People’s Republic of China or under the principle of reciprocity, request for recognition and enforcement by the people’s court.

The Company Law, Overseas Listing Trial Measures and Guidelines for Articles of Association

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

- The Company Law (《中華人民共和國公司法》) which was promulgated by the SCNPC on December 29, 1993, came into effect on July 1, 1994, amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 respectively and the latest amendment of which was implemented on July 1, 2024;
- The Overseas Listing Trial Measures (《境內企業境外發行證券和上市管理試行辦法》) and its supporting relevant guidelines which were promulgated by the CSRC on February 17, 2023 and came into effect on March 31, 2023 as amended, supplemented or otherwise modified from time to time, and were applicable to the direct and indirect overseas share offering and listing of domestic companies; and
- The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “**Guidelines for Articles of Association**”) which was latest amended and came into effect on March 28, 2025 by the CSRC. The related Guidelines for Articles of Association are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled “Appendix V — Summary of Articles of Association” in this document.

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Below sets out a summary of the major provisions of the Company Law, the Trial Measures of Overseas Listing and the Guidelines for Articles of Association:

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its debts for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. If it is provided by law that the joint stock limited company shall not be a contributor that undertakes joint and several liabilities for the debts of the invested companies, such provisions shall apply accordingly.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. The promoters must convene an inaugural meeting within 30 days after the full payment of the shares to be issued at the time of the establishment of the company, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of subscribers holding a majority of the voting rights. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

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

If a promoter does not contribute in accordance with the shares subscribed for by it or if the actual value of the non-monetary property contributed as capital is significantly less than the shares subscribed for, the other promoters shall be jointly and severally liable with it to the extent of the shortfall in the capital contribution.

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Share Capital

The promoters of a company can make capital contributions in cash or in non-monetary assets which can be valued in currency and transferable according to law, such as physical items, intellectual property rights, land use rights, equity interests, creditor’s rights and so on, except for properties that are prohibited from being used as capital contributions under the provisions of laws and administrative regulations.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

The shares issued by a company shall be registered shares.

The Overseas Listing Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or RMB.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations.

Shares issued by a company prior to the public offering of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall declare to the company their holdings of the company’s shares and the status of changes therein, and shall not transfer over 25% of the shares held by each of them in the company each year during the term of office determined at the time of assumption of office or transfer any share of the company held by each of them within one year after the listing date.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders’ meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

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

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Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Overseas Listing Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders’ meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. In the case of the issue of shares without par value, half or more of the proceeds of issue of the new shares is to be included in the registered capital.

When a company offers shares to the public, it shall be registered by the securities regulatory authority under the State Council and announce a document. When the shares issued by the company are fully paid up, a public announcement shall be made accordingly.

Reduction of Share Capital

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

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

When a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

When a company reduces its registered capital, it must reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless otherwise prescribed by any law, or agreed upon by all the shareholders of a limited liability company, or as specified in the articles of association of a joint stock limited company.

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Repurchase of Shares

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

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be cancelled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If a listed company purchases its shares under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralised trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. 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. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholders' meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

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

Shareholders’ Meeting

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

Under the Company Law, the shareholders’ meeting exercises the following principal functions:

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

Shareholders’ annual meeting is required to be held once every year. Under the Company Law, an extraordinary shareholders’ meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company’s total share capital;

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- when shareholders alone or in aggregate holding 10% or more of the company’s shares request the convening of an extraordinary meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors proposes; or
- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders’ meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

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

Under the Company Law, notice of shareholders’ meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholders’ meeting shall be given to all shareholders 15 days prior to the meeting. Under the Guidelines for Articles of Association, after the notice of the shareholders’ meeting is issued, the shareholders’ meeting shall not be postponed or cancelled without justifiable reasons, and the proposals listed in the notice of the shareholders’ meeting shall not be cancelled. In the event of postponement or cancellation, the convener shall make an announcement and explain the reasons at least two working days before the original meeting date.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders’ meeting. Pursuant to the Guidelines for Articles of Association, the board of directors and the Secretary of the board of directors will cooperate with the shareholders’ meeting convened by the audit committee or shareholders. The board of directors will provide the register of shareholders on the date of equity registration. Moreover, when a shareholders’ meeting is held, if the shareholders’ meeting requires the directors and senior management to attend the meeting without voting rights, the directors and senior management shall attend the meeting without voting rights and answer the shareholders’ inquiries.

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

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

Pursuant to the provisions of the articles of association or a resolution of the shareholders' meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the Guidelines for Articles of Association, resolutions of the shareholders' meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' meeting regarding the following matters shall be adopted by two-thirds or more of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) equity incentive plan; (iv) the company purchases or sells major assets within one year or any guaranty provided to others by the company within one year exceeds 30% of the company's total audited assets in the latest period; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters stipulated by laws, administrative regulations or the Articles of Association, as well as other matters considered by the shareholders' meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

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

Board of Directors

Under the Company Law, a joint stock limited company is required to establish a board of directors. A joint stock limited company that is of small size or has a small number of shareholders may not have a board of directors and may have one director who exercises the powers and functions of the board of directors as provided for in the Company Law. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of

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association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders’ meeting and report on its work to the shareholders’ meeting;
- to implement the resolutions passed in shareholders’ meeting;
- to decide on the company’s business plans and investment proposals;
- to formulate the company’s profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company’s registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution or change in the form of the company;
- to decide on the setup of the company’s internal management organization;
- to appoint or dismiss the company’s manager and decide on his remuneration and, based on the manager’s recommendation, to appoint or dismiss any deputy manager and financial officer of the company and to decide on their remunerations;
- to formulate the company’s basic management system; and
- to exercise any other power under the articles of association.

Board Meeting

Under the Company Law, meeting of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meeting may be proposed to be convened by shareholders representing 10% or more of voting rights, one-third or more of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meeting of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for

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resolutions to be approved by the board of directors. Directors shall attend board meeting in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempted from that liability.

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meeting and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

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

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offence of corruption, bribery, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence; if he/she has been pronounced on a suspended sentence, the period of two years has not elapsed since the expiration of the suspension of sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

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- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of revocation of business license and the order for closure; or
- a person who is listed as a dishonest person subject to enforcement by the people's court due to his failure to pay off a relatively large amount of due debts.

Other circumstances under which a person is disqualified from acting as a director are set out in the Guidelines for Articles of Association.

Board of Supervisors

Under 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 comprising directors to exercise the powers and functions of the supervisory board, in place of a supervisory board or supervisors. Otherwise, a joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise. The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meeting of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meeting of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meeting of the board of supervisors.

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

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

The board of supervisors exercises the following powers:

- to review the company’s financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders’ meeting;
- when the acts of directors and senior management are harmful to the company’s interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders’ meeting and to convene and preside over shareholders’ meeting when the board of directors fails to perform the duty of convening and presiding over shareholders’ meeting under this law;
- to initiate proposals for resolutions to shareholders’ meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- Supervisors may attend board meeting and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company’s expense.

According to the Transitional Period Arrangements for the Implementation of the Rules of the Supporting System of the New Company Law (《關於新<公司法>配套制度規則實施相關過渡期安排》) issued by the CSRC on December 27, 2024, listed companies shall, prior January 1, 2026, establish an audit committee in the board of directors in accordance with the provisions of the Company Law, the Provisions of the State Council on Implementing the Registration Management System for Registered Capital under the Company Law (《國務院關於實施<中華人民共和國公司法>註冊資本登記管理制度的規定》) and the rules of the supporting system of the CSRC, etc., to exercise the functions and powers of the Board of Supervisors as stipulated in the Company Law, and shall not establish Board of Supervisors or supervisors. Before a listed company adjusts the establishment of its internal supervision organization, the Board of Supervisors or supervisors shall continue to comply with the provisions of the original rules and systems of the CSRC on Board of Supervisors or supervisors.

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Manager and Senior Management

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

The manager shall exercise his powers in accordance with provisions of the articles of association or as authorized by the board of directors. The manager attends board meeting.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association. Directors, supervisors and senior management have fiduciary and diligent duties to the company and should take measures to avoid any conflict between their own interests and the interests of the company and not make use of their powers to obtain improper benefits. Directors, supervisors and senior management have a duty of diligence to the company and should exercise reasonable care in performing their duties in the best interests of the company, as would normally be expected of a manager.

Directors, supervisors and senior management are prohibited from:

- misappropriating company property or funds;
- depositing the company’s capital into accounts under his own name or the name of other individuals;
- giving bribes or accepting any other illegal proceeds by taking advantage of his power;
- taking commissions from the transactions between the company and any other person into his own pocket;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their fiduciary duty to the company.

Directors, Supervisors and senior management, who directly or indirectly enter into contracts or conduct transactions with the company, shall report to the board of directors or the shareholders’ meeting on matters relating to the entering into of such contracts or the conduct of such transactions, which shall be approved by a resolution of the board of directors or the shareholders’ meeting in accordance with the provisions of the articles of association of the company.

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Directors, supervisors and senior management shall not use the convenience of their positions to seek business opportunities belonging to the company for themselves or others, except in the following circumstances: (i) after reporting to the board of directors or the shareholders' meeting and a resolution by the board of directors or the shareholders' meeting in accordance with the articles of association of the company has been passed; or (ii) the company is unable to take advantage of the business opportunity in accordance with the provisions of the laws, administrative regulations or the articles of association of the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable for the damages to the company.

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

Finance and Accounting

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

Pursuant to the Company Law, a joint stock limited company shall prepare and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual meeting of shareholders. A joint stock limited company which has issued shares to the public must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' meeting, allocate discretionary common reserve fund from after-tax profits.

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The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association. Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company’s capital reserve fund.

The company’s reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. Where the reserve fund of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

After a company reduces its registered capital in accordance with the provisions of the Company Law, it shall not distribute profits until the accumulated amount of statutory reserve and discretionary reserve reaches 50% of the company’s registered capital.

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

Appointment and Dismissal of Accounting Firms

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

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

Distribution of Profits

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

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Amendments to Articles of Association

Any amendments to the company’s articles of association must be made in accordance with the procedures set out in the company’s articles of association. In relation to matters involving the company’s registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association occurred; (ii) the shareholders’ meeting has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked, or the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people’s court in response to the request of shareholders holding shares that represent 10% or more of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders. If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

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

Where the company is dissolved in the circumstances described in (i), (ii), (iv), or (v) above, a liquidation group shall be established. The directors shall be the liquidation obligors of the company and form a liquidation group to carry out liquidation within 15 days after the occurrence of an event of dissolution.

The members of the company’s liquidation group shall be composed of its directors except where the articles of association provide otherwise or the shareholders resolve to elect another person. If a liquidation group is not established within the stipulated period or fails to carry out the liquidation after its formation, any interested party may apply to the people’s court and request the court to appoint relevant personnel to form the liquidation group. The people’s court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

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

- to liquidate the company’s assets and to prepare a balance sheet and an inventory of the assets;

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- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to distribute the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

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

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

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

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

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

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to apply for deregistration.

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The members of the liquidation group are obliged to perform their liquidation duties with fidelity and diligence. The members of the liquidation group shall be liable for damages caused to the company if they are negligent in performing their liquidation duties. A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

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

Loss of Share Certificates

If a share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people’s court to declare such certificate invalid. After the people’s court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The Securities Law has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Overseas Listing Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

Merger and Demerger

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

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Remedies of Company

According to the Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages.

Securities Law and Regulations

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

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

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

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the “**Arbitration Law**”) was passed by the SCNPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the

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Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people’s court will refuse to handle the case except when the arbitration agreement is declared invalid.

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

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

An arrangement was reached between Hong Kong and the Supreme People’s Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People’s Court adopted 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》), which became effective on February 1, 2000 and was amended by the Supplemental Arrangement of the Supreme People’s Court for 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》). In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC. Where a court of the mainland China finds that enforcement in the mainland China of the ruling made by the Hong Kong arbitral authority will violate public interests of the mainland China, execution of the ruling may be ignored.

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Judicial judgement and its enforcement

According to the Arrangement of the Supreme People’s Court between the Mainland and the Hong Kong Special Administrative Region (the “**HKSAR**”) on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《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》) (the “**Arrangement**”) promulgated by the Supreme People’s Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgement, defined with payment amount and enforcement power, made between the court of PRC and the court of the HKSAR in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People’s Court of Mainland China or the court of the HKSAR for recognition and enforcement based on this arrangement. “Choice of court agreement in written” refers to a written agreement defining the exclusive jurisdiction of either the People’s Court of Mainland China or the court of the HKSAR in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of Mainland China or the court of the HKSAR to recognized and enforce the final judgement made in Mainland China or Hong Kong that meet certain conditions of the aforementioned regulations.

On January 18, 2019, the PRC Supreme People’s Court and the Hong Kong government signed the 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 (《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 seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement came into effect on January 29, 2024.