

SECTION B1

FOREIGN LAWS AND REGULATIONS

Our Company is incorporated in the Cayman Islands and governed by its Articles of Association, as amended from time to time, and subject to the Cayman Companies Law. Our ADSs are also listed in the U.S. on the NYSE under the symbol “ZTO”; we are considered a “foreign private issuer” and are subject to certain U.S. laws and regulations and the NYSE rules. We set out below a summary of key laws and regulations that concern shareholder rights and taxation that may differ from comparable provisions in Hong Kong. This summary does not contain all applicable laws and regulations, nor does it set out all the differences with laws and regulations in Hong Kong, or constitute legal or tax advice.

Foreign Laws and Regulations: Cayman Islands

RIGHTS OF SHAREHOLDERS

1. Dividends

Under our constitution

The holders of ordinary shares are entitled to such dividends as may be declared by the board of directors. In addition, shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by the directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our Company’s share premium account, and provided further that a dividend may not be paid if this would result in our Company being unable to pay our debts as they fall due in the ordinary course of business.

Dividends received by each Class B ordinary share and Class A ordinary share in any dividend distribution shall be the same.

Any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited by the board of directors and, if so forfeited, shall revert to our Company.

2. Voting Rights

Under our constitution

Holders of Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of the shareholders, except as may otherwise be required by law or provided for in the Memorandum and Articles of Association. In respect of matters requiring shareholders’ vote, on a show of hands, each shareholder is entitled to one vote for each ordinary shares registered in his name on the register of members of our Company or, on a poll, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes. Voting at any shareholders’ meeting is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any shareholder present in person or by proxy with a right to attend and vote at such meeting.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution. A special resolution requires the affirmative vote of no less than two-thirds of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to the Memorandum and Articles of Association. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our Company, as permitted by the Cayman Companies Law and the Memorandum and Articles of Association.

If a recognised clearing house (or its nominee(s)) or depository (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of our Company or at any general meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) or depository (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) or depository (or its nominee(s)) could exercise if it were an individual member of our Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

3. Liquidation

Under our constitution

On a winding up of our Company, if the assets available for distribution among the shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus will be distributed among the shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our Company for unpaid calls or otherwise. If the assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by the shareholders in proportion to the par value of the shares held by them.

Under the Cayman Companies Law

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if our company is solvent, or (b) by an ordinary resolution of its members if our company is insolvent.

4. Shareholders' Suits

Under the Cayman Companies Law

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of our Company to challenge (a) an act which is ultra vires our Company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of our Company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

5. Protection of Minorities

Under the Cayman Companies Law

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of our Company in issue, appoint an inspector to examine into the affairs of our Company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that our Company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our Company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

DIRECTORS' POWERS AND INVESTOR PROTECTION

6. Director's Borrowing Powers

Under our constitution

The board may exercise all the powers of our Company to raise or borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock and other such securities whenever money is borrowed or as security for any debt, liability or obligation of our Company or of any third party.

7. Shareholders' Suits

Under the Cayman Companies Law

See item 4 above.

8. Protection of Minorities

Under the Cayman Companies Law

See item 5 above.

TAKEOVER OR SHARE REPURCHASES

9. Redemption, Purchase and Surrender of Shares

Under our constitution

Our Company may issue shares on terms that such shares are subject to redemption, at the option of our Company or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by the board of directors or by a special resolution of the shareholders. Our Company may also repurchase any of our Company's shares provided that the manner and terms of such purchase have been approved by the board of directors or by ordinary resolution of the shareholders, or are otherwise authorized by the Memorandum and Articles of Association. Under the Cayman Companies Law, the redemption or repurchase of any share may be paid out of our Company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our Company can, immediately following such payment, pay our debts as they fall due in the ordinary course of business. In addition, under the Cayman Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if our Company has commenced liquidation. In addition, our Company may accept the surrender of any fully paid share for no consideration.

10. Mergers and Consolidations

Under the Cayman Companies Law

The Cayman Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

11. Reconstructions

Under the Cayman Companies Law

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

12. Take-overs

Under the Cayman Companies Law

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

TAXATION

13. Stamp duty on transfers

Under the Cayman Companies Law

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

14. Taxation

Under the Cayman Companies Law

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, our Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of our Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to our Company.

Foreign Laws and Regulations: United States and NYSE

RIGHTS OF SHAREHOLDERS

1. Shareholder Rights Under the Deposit Agreement

- *Prompt receipt of distributions.* Whenever the depository receives any dividend or other distribution on the underlying shares, the depository must promptly distribute the amount received (net of taxes and the fees/expenses of the depository) to the ADR holders.
- *Voting of deposited securities.* Upon receipt of notice of any shareholders meeting, if requested in writing by the Company, the depository must, as soon as practicable, mail to ADR holders a notice containing key information received by the depository; and upon written instruction by the ADR holder, the depository will, as far as practicable, vote the underlying Shares in accordance with the ADR holder's instructions. If no instructions are received, the depository may give a discretionary proxy to a person designated by the Company.
- *Reports.* ADR holders have a right to inspect reports and communications, including proxy soliciting material, received from the Company by the depository or generally made available to Shareholders.
- *Withdrawal.* Subject to limited exceptions, ADR holders have the right to cancel their ADSs and withdraw the underlying Shares at any time.

2. Shareholder Proposals and Approvals

As a foreign private issuer, our Company is not subject to SEC rules regarding proxy statements to shareholders. Instead, shareholder proposals must be made in accordance with our Company's Articles of Association, as amended.

Each NYSE-listed company is generally required to obtain shareholder approval of certain issuances of securities, including in connection with: (i) acquiring the stock or assets of another company; (ii) equity-based compensation of officers, directors, employees or consultants; (iii) a change of control; and (iv) private placements. However, as our Company is a foreign private issuer, we can follow "home country practice" (i.e., the practice in the Cayman Islands) in lieu of complying with the above NYSE rule.

3. Corporate Governance

The NYSE Listed Company Manual contains a number of corporate governance requirements for NYSE-listed companies, the principal of which are:

- *Majority Independent Directors.* A majority of the board of directors must be comprised of "Independent Directors."
- *Audit Committee.* Each NYSE-listed company must have an audit committee of at least three members consisting only of independent directors who satisfy certain requirements.
- *Compensation Committee.* Each NYSE-listed company must have a compensation committee consisting only of independent directors.

- *Nominating/Corporate Governance Committee.* Each NYSE-listed company must have a nominating/corporate governance committee consisting only of independent directors.

However, as a foreign private issuer, our Company can opt to be exempt from most of the requirements if we choose to follow “home country practice”, which would be disclosed in our annual report (Form 20-F). Notwithstanding, our Company cannot opt out of complying with SEC Rule 10A-3, which includes, among other things, the requirement to maintain an audit committee, which would be responsible for establishing procedures for handling complaints regarding our Company’s accounting practices.

4. **Sarbanes-Oxley Requirements**

The Company is also subject to the *U.S. Sarbanes-Oxley Act of 2002* (“**Sarbanes-Oxley**”). Sarbanes-Oxley addresses issues such as the composition of the audit committee of the board of directors and the adoption of the company codes of ethics, including:

- *No personal loans to directors or executive officers.* A company cannot extend personal loans to its directors and executive officers.
- *Whistle-blower protection.* The company is required to establish procedures for confidential and anonymous submission by employees of accounting-related concerns.

5. **Takeover Regulations**

Mergers. If we are required to seek Shareholder approval in connection with a merger pursuant to the requirements of Cayman Islands law or our Articles of Association, as amended, we will furnish the proxy statement for the applicable Shareholders’ meeting to the SEC on a current report on Form 6-K. As noted above, however, foreign private issuers such as our Company may elect to follow their “home country practices” in lieu of complying with applicable shareholder approval requirements under the NYSE Listed Company Manual. In addition, if the merger involves the issuance of Shares, we may be required to register the offering of such Shares with the SEC.

Tender Offers. Neither the U.S. federal securities laws nor the NYSE Listed Company Manual have the concept of a “general offer.” Therefore, a party making a tender offer is free to decide how many shares will be subject to the offer. All holders of the same class of securities must be treated equally and the highest consideration paid to any one shareholder of that class of securities must be paid to all shareholders of that same class. A tender offer must remain open for a minimum of 20 business days after commencement, and may be extended in circumstances. Within 10 business days of commencement, the subject company must send a notice to its shareholders recommending whether to accept or reject a tender offer, or expressing a neutral position.

Disclosure of Interests for Major Shareholders. Any person who, after acquiring beneficial ownership of a class of equity securities (which includes the power to direct the voting or the disposition of the securities) registered under Section 12 of the U.S. Exchange Act (“**Registered Equity Class**”), is a beneficial owner of more than 5% of the Registered Equity Class, must publicly file beneficial owner reports (Schedule 13D or Schedule 13G) with the SEC, and such person must promptly report any material change in the information provided (including any acquisition or disposition of 1% or more of the class of equity securities concerned), unless exceptions apply. Schedule 13D must be filed by all shareholders who are not otherwise eligible to use Schedule 13G.