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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

### I. THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (hereinafter referred to as the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of ministries of the State Council, rules and regulations of local governments, laws of special administrative regions and international treaties 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 (hereinafter referred to as the "**Legislation Law**"), the National People's Congress (hereinafter referred to as the "**NPC**") and the Standing Committee of The National People's Congress are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC. During the adjournment of the NPC, partial supplement and amendment shall be made to the laws as formulated by the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

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

The People's Congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas. These local regulations shall comply with the Constitution, laws and administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provisions of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. Where the laws provide otherwise on the matters concerning the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations by cities divided into districts shall become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of the local regulations submitted for approval. Such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the

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provinces or autonomous regions concerned, a decision shall be made by the standing committees of the people's congresses of provinces or autonomous regions for resolution. The people's congresses of national autonomous areas shall have the power to formulate autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office of the PRC and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, as well as the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate their rules and regulations based on the laws, administrative regulations and local regulations of relevant provinces, autonomous regions and municipalities.

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

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

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According to the Constitution or the Legislation Law, the power to interpret the laws is vested in the Standing Committee of the NPC. According to the Resolution of the Standing Committee of the National People's Congress Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981. If the scope prescribed by laws needs to be further defined or supplementary provisions need to be made, the Standing Committee of the NPC shall interpret them or make provisions. Issues involving the specific application of laws in the trial work of the court shall be interpreted by the Supreme People's Court. Issues involving the specific application of laws in the procuratorial work of the procuratorate shall be interpreted by the Supreme People's Procuratorate. If there are principled differences in the interpretation of the Supreme People's Court and the Supreme People's Procuratorate, they shall be submitted to the Standing Committee of The National People's Congress for interpretation or decision. Issues that do not involve the specific application of laws in judicial and procuratorial work shall be interpreted by the State Council and the competent departments. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and ministerial rules which they have promulgated. At the regional level, the power to give interpretation of the local laws is vested in the regional legislative and administrative organs which promulgate such law.

### II. PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法》(2018年修訂)), the PRC judicial system is made up of the Supreme People's Court, the local people's courts at all levels, and the special people's courts.

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

A people's court adopts the system in which the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance at a people's court are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if any errors are identified in a legally effective judgment, ruling or mediation statement of the people's court at any level by the Supreme People's Court, or if such errors are identified in a legally effective judgment, ruling or mediation statement of the people's court at a lower level by the people's court at

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a higher level, it has the authority to review the case itself or to refer to the people's court at a lower level to conduct a retrial. If such errors are identified in a legally effective judgment, ruling or mediation statement by the chief judge of all levels of the people's courts, and they consider a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (hereinafter referred to as the "**Civil Procedure Law**"), which was last amended by the Standing Committee of the NPC on December 24, 2021 and became effective on January 1, 2022, prescribes the conditions for instituting a civil action, the jurisdiction of a people's court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC shall comply with the Civil Procedure Law. A civil case is generally heard at the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at the place directly associated with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

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

A party shall comply with a law-binding civil judgment or ruling. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same within two years. However, they may apply for an extension for the enforcement or revocation. If such party fails to satisfy a judgment as enforced and permitted by the court within the stipulated time, the court may, upon application by either party, enforce the judgment in accordance with the law.

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

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a PRC people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court believes that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or national security or against its social and public interests.

### III. THE PRC COMPANY LAW, THE SPECIAL REGULATIONS, AND THE MANDATORY PROVISIONS

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

- 1) The PRC Company Law (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, and was amended on December 25, 1999, August 28, 2004, October 27, 2005, and December 28, 2013, respectively, and the latest amendment had been implemented since October 26, 2018;

On December 24, 2021, the SCNPC issued the Company Law of the People's Republic of China (Revision Draft) (the "Revision Draft of the Company Law") for public comments. This revision of the Revision Draft of the Company Law mainly improves the special provisions on state-owned investment companies by optimizing the system of company establishment and withdrawal, the organizational structure of companies, the capital system of companies, strengthening the responsibility of controlling shareholders and management personnel and enhancing the social responsibility of companies. It is proposed that the shares of the company held by the controlling shareholders of the company issued before the public offering of shares shall not be transferred within three years from the date of [REDACTED] and [REDACTED] of the company's shares on the stock exchange. As of the [actual issue date of the prospectus, this draft is in the process of collecting views and has not yet come into effect.

- 2) The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (hereinafter referred to as the "**Special Regulations**"), which was passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994, promulgated on August 4, 1994, and was implemented on the same date. The Special Regulations include the provisions in respect of the overseas share offering and listing of joint stock limited companies;

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- 3) The Mandatory Provisions for Companies Listing Overseas (《到境外上市公司章程必備條款》) (hereinafter referred to as the “**Mandatory Provisions**”) were promulgated by the former Securities Commission of the State Council and the former State Economic System Restructuring Commission on August 27, 1994, contains the provisions which must be incorporated into the articles of association of a joint stock limited company to be listed overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association of the Company, and a summary of which is set out in Appendix V — Summary of the Articles of Association of the Company in this Document;
- 4) The Official Reply of the State Council on Adjusting the Application of Provisions to Matters Including the Notification Period for Convening Shareholders’ Meetings by Overseas Listed Companies (Guo Han [2019] No.97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)), which was promulgated by the State Council on October 17, 2019 and was implemented on the same date, pursuant to which, it was agreed that, for the companies registered in the PRC but listed overseas, the requirements on the notification period for convening a shareholders’ general meeting, shareholders’ rights to proposal, and the convening procedures shall be collectively governed by the relevant provisions of the PRC Company Law, and no longer be governed by Article 20 to 22 of the Special Regulations.

**Below sets out a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions:**

### **1. General Provisions**

A joint stock limited company refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The company shall bear the responsibility for its debts with all its assets, and the shareholders of a joint stock limited company shall bear responsibilities to the company within the scope of the number of shares they subscribe for.

### **2. Incorporation**

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



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and State Council decisions provide otherwise on paid-up registered capital and minimum registered capital, the company shall comply with such provisions.

For companies established by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for capital contributions under the articles of association, a board of directors and a board of supervisors shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association as well as other documents required by laws and administrative regulations with the company registration authorities.

Where companies are established by subscription, no less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by laws or administrative regulations. A promoter who offers shares to the public must announce a share offering document and prepare a share subscription form. Such offer shall be underwritten by security companies established according to law, with underwriting agreements to be entered into and agreements to be entered into with banks in relation to the receipt of subscription monies. After the subscription monies for the share issue have been paid in full, a capital verification institution established according to law must be engaged to conduct capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of full payment of subscription monies. The inauguration meeting shall be formed by the promoters and the subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering document, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank deposit rates for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authorities for registration of the establishment of the company.

A company's promoter shall be liable for the followings: (1) the debts and expenses incurred in the establishment process jointly and severally if the company cannot be established; (2) the refund of subscription monies paid by the subscribers together with interest at bank deposit rates for the same period jointly and severally if the company cannot be established; (3) the compensation of any damages suffered by the company as a result of the promoters' fault in the course of its establishment.

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### 3. Share Capital

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

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

A company must obtain the approval of CSRC to offer its shares to the overseas public. According to the Special Regulations and the Mandatory Provisions, the shares issued to foreign investors and listed overseas by a company shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. The shares issued to foreign investors (including investors from the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) and listed in Hong Kong are known as H shares, and the shares issued to investors within the PRC other than the territories specified above are known as domestic invested shares. Under the Special Regulations, upon approval of the CSRC, a company may agree in the underwriting agreement entered into with the underwriter to retain no more than 15% of the aggregate number of such overseas-listed foreign invested shares proposed to be issued in addition to the number of underwritten shares. The issuance of the retained shares is deemed to be a part of this issuance.

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

### 4. Increase in Share Capital

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



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

### 5. Reduction of Share Capital

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

### 6. Repurchase of Shares

In accordance with the PRC Company Law, a company shall not purchase its own shares except under any of the following circumstances: (1) reducing the registered capital of the company; (2) merging with another company that holds its shares; (3) using shares for the employee stock ownership plan or as equity incentives; (4) a shareholder requesting the company to purchase its shares held by him/her since he/she objects to a resolution of the shareholders' general meeting on the combination or division of the company; (5) using shares for converting convertible corporate bonds issued by the listed company; (6) it is necessary for a listed company to protect its corporate value and the rights and interests of shareholders. A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) above shall be subject to a resolution of the shareholders' general meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) above may, pursuant to the provisions of the articles of association or the authorization of the shareholders' general meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

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

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Repurchase of the Company's shares by a listed company shall perform the obligation of information disclosure in accordance with the Securities Law of the PRC (the "Securities Law"). A listed company purchasing the Company's shares under any of the circumstances set forth in items (3), (5) and (6) of this article shall carry out trading in a public and centralized manner.

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

### 7. Transfer of Shares

Shares held by shareholders may be transferred according to law.

Under the PRC Company Law, shares held by promoters shall not be transferred within one year from the date of establishment of the company. Shares issued prior to the public offering of the company's shares cannot be transferred within one year from the listing date of such shares on a stock exchange. The directors, supervisors and senior management of the company shall notify the company of their holding of shares therein and changes of their shareholdings. The shares transferrable by them in each year of their tenures shall not exceed 25% of all their shares in the company. The shares in the company held by them are not transferable within one year from the date on which the company's shares are listed. The shares in the company held by them shall not be transferred within six months of their departure from the company. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

### 8. Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of shareholders include: (1) to transfer their shares according to law; (2) to attend or appoint a proxy to attend and vote at shareholders' general meetings; (3) to inspect the articles of association, share register, counterfoils of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the board of supervisors and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations; (4) to receive dividends in respect of the number of shares held; (5) to participate in residual properties of the company in proportion to their shareholdings upon the liquidation of the company; (6) any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of his or her share subscriptions, not to abuse their shareholders' rights to harm the interests of the company or other shareholders, not to abuse the independent status of the legal person of the company and the limited liability of shareholders to harm the interest of any creditor and any other shareholder obligation specified in the articles of association.

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### 9. Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company that exercises its powers: (1) to decide on the company's operational objectives and investment plans; (2) to elect and replace the directors and supervisors that are not employee representatives, and to decide on the matters relating to the remuneration of directors and supervisors; (3) to consider and approve the reports of the board of directors; (4) to consider and approve the reports of the board of supervisors; (5) to consider and approve the company's annual financial budgets and final accounts; (6) to consider and approve the company's profit distribution and loss recovery proposals; (7) to decide on any increase or reduction of the company's registered capital; (8) to decide on the issue of corporate bonds; (9) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form; (10) to amend the company's articles of association; (11) to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be convened once every year, and shall be held within six months after the end of the previous accounting year. An extraordinary general meeting is required to be convened within two months of the occurrence of any of the following: (1) 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; (2) the total outstanding losses of the company amounts to one-third of the company's total paid-up share capital; (3) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting; (4) the board deems necessary; (5) the board of supervisors proposes to convene a meeting; (6) any other circumstances as provided for in the articles of association.

A shareholders' general 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 cannot or does not perform his/her duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman cannot or does not perform his/her duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors cannot or does not perform its duties to convene the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. If the board of supervisors fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 consecutive days or more may unilaterally convene and preside over a shareholders' general meeting.

In accordance with the PRC Company Law, a notice of shareholders' general meeting stating the date and venue thereof and the matters to be considered thereat shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer shares, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. Shareholders who separately or in aggregate hold over three percent of the shares of the company may submit an interim proposal in writing

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to the board of directors ten days before the shareholders' general meeting is convened. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the shareholders' general meeting for consideration. The contents of the interim proposal shall fall within the scope of powers of the shareholders' general meeting, and shall have a clear agenda and specific matters to be resolved. The shareholders' general meeting shall not make any resolution in respect of any matter not set out in the notice. Holders of bearer shares who wish to attend a shareholders' general meeting shall deposit their share certificates with the company between five days before the meeting and its conclusion.

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

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

Under the PRC Company Law, resolutions of the shareholders' general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and other matters must be approved by way of a resolution of the shareholders' general meeting, the board of directors shall convene a shareholders' general meeting promptly to vote on such matters.

Minutes shall be prepared in respect of matters considered at the shareholders' general meeting, and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of the company, amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the shareholders' general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved by way of a special resolution by more than two-thirds of the voting rights held by shareholders (including the proxies thereof) present at the meeting.

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The Mandatory Provisions require a special resolution to be passed at the shareholders' general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class.

### 10. Board of Directors

The company shall have a board of directors composed of 5 to 19 members. Board members may include employee representatives, who shall be democratically elected by the company's employees at an employee representative assembly, general employee meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall exceed three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations and the articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors is accountable to the shareholders' general meeting and may exercise the following powers: (1) to convene shareholders' general meetings and report on its work to the shareholders' general meetings; (2) to implement the resolutions adopted at the shareholders' general meetings; (3) to decide on the company's operational plans and investment proposals; (4) to formulate proposals for the company's annual financial budgets and final accounts; (5) to formulate the company's profit distribution and loss recovery proposals; (6) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds; (7) to formulate proposals for merger, division or dissolution of the company or change of corporate form; (8) to decide on the setup of the company's internal management organs; (9) to decide on the appointment or dismissal of the company's manager and his/her remuneration and, based on the manager's nomination, to decide on the appointment or dismissal of any deputy manager and financial officer of the company and their remuneration; (10) to formulate the company's basic management system; (11) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice a year. Notices of such meetings shall be given to all directors and supervisors 10 days before the meetings are convened. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

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The board of directors shall prepare minutes of the meetings of the board of directors and such minutes shall be signed by the directors present at the meeting. The directors shall be responsible for resolutions adopted by the board of directors. The directors adopting a resolution that contravenes laws, administrative regulations, the articles of association or resolutions of the shareholders' general meeting and results in severe losses to the company shall be liable to the company for compensation. However, a director may be exempt from such liability with the proof that he/she has expressed a disagreement which has been recorded in the minutes of the meeting.

Under the PRC Company Law, none of the following persons may serve as directors of the company: (1) persons without capacity or with limited capacity for civil acts; (2) persons who were sentenced for corruption, bribery, encroachment or embezzlement of properties or disruption of social or economic order, or persons who were deprived of political rights for committing a crime, and in each case, where five years have not lapsed following the serving of the sentence; (3) directors, factory heads or managers who bear individual responsibility for the bankruptcy or liquidation of their companies or enterprises where three years have not lapsed following the date of completion of such bankruptcy or liquidation; (4) the legal representatives of companies or enterprises that had their business licenses revoked and ordered to be closed for violation of the law, where such representatives bear individual responsibility and three years have not lapsed following the date of revocation of such business licenses; (5) persons with relatively significant individual debts that have not been settled upon maturity. Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

In addition, the Mandatory Provisions further stipulates other circumstances under which a person is disqualified from acting as a director of a company, including: (1) a person whose cases have been established for investigation by judicial authorities due to violation of the criminal law, and such cases have not been closed; (2) a person who may not serve as the management of enterprises by virtue of laws or administrative regulations; (3) a non-natural person; (4) a person adjudged by relevant competent authorities to have violated securities-related regulations, where such violation involves fraudulent or dishonest acts and five years have not lapsed following the date of the ruling.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties.



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### 11. Board of Supervisors

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

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

According to the Letter of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplements and Amendments to the Articles of Association by Companies to Be Listed in Hong Kong (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), the chairman of the board of supervisors shall be selected by more than two-thirds of the supervisors.

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

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

The board of supervisors exercises the following powers: (1) to review the company's financial position; (2) to supervise directors and senior management in performing their company duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or the resolutions of shareholders' general meetings; (3) when the acts of a director or senior management member are detrimental to the company's interests, to require the director and senior management member to correct these acts; (4) to propose the convening of extraordinary general meetings and the convening and presiding over shareholders' general meetings when the board of directors fails to perform the duty of

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convening and presiding over shareholders' general meetings under the Law; (5) to submit proposals to the shareholders' general meeting; (6) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; (7) to exercise any other authority stipulated in the articles of association.

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

### **12. Manager and Senior Management**

Under the relevant provisions of the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. Meanwhile, under the Mandatory Provisions, the manager shall be accountable to the board of directors and may exercise the following powers: (1) to manage the production, operation and administration of the company and to arrange for the implementation of the resolutions of the board of directors; (2) to arrange for the implementation of the company's annual operational plans and investment proposals; (3) to formulate proposals for the establishment of the company's internal management organs; (4) to formulate the basic management system of the company; (5) to formulate the company's basic rules and regulations; (6) to recommend the appointment or dismissal of any deputy manager and financial officer of the company; (7) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); (8) to exercise any other authority granted by the articles of association and the board of directors.

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

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

### **13. Duties of Directors, Supervisors and Senior Management**

Under the PRC Company Law, directors, supervisors and senior management shall comply with relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence. Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

In addition, directors and senior management shall not: (1) misappropriate company funds; (2) deposit company funds into accounts under their own names or the names of other individuals; (3) loan company funds to others or provide guarantees in favor of others supported by company's property in violation of the articles of association

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or without approval of the shareholders' general meeting or the board of directors; (4) enter into contracts or transactions with the company in violation of the articles of association or without approval of the shareholders' general meeting; (5) use their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operate business similar to that of the company for their own benefits or on behalf of others without approval of the shareholders' general meeting; (6) accept and possess commissions paid by others for transactions with the company; (7) disclose the confidential information of the company without its authority; (8) engage in other acts in violation of their duty of loyalty to the company. Income generated by directors or senior management in violation of the aforementioned shall be returned to the company.

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

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

Where a director or senior management member contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares for at least 180 consecutive days may request in writing that the board of supervisors institute litigation at a people's court on its behalf. Where the supervisor violates laws or administrative regulations or the articles of association in the discharge of his/her duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the board of supervisors or the board of directors refuses to institute litigation after receiving the written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in the event of an emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in his/her/their own name for the company's benefit. For other parties who infringe on the legitimate interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the above provisions. Where a director or senior management member contravenes any laws, administrative regulations or the articles of association in infringement on shareholders' interests, a shareholder may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, managers and other senior management shall have the duty of loyalty to the company. They shall faithfully perform their duties and protect the interests of the company without using their positions in the company for their own benefits.

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**14. Finance and Accounting**

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

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

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

The premium received through issuance of shares of the company at prices above par value and other incomes required by the financial authorities of the State Council to be allocated to capital reserve fund shall be allocated to the company's capital reserve fund. The company's reserve fund shall be applied to cover the losses of the company, expand its business operations or be converted to increase the capital of the company. However, the capital reserve fund shall not be used to cover the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

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

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**15. Appointment and Dismissal of Accounting Firms**

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

The Special Regulations provide that a company shall engage an independent accounting firm in line with relevant regulations of the state to audit its annual report and review other financial reports of the company. The accounting firm's term of office shall commence from the end of this annual general meeting to the end of the next annual general meeting.

**16. Distribution of Profits**

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Meanwhile, the Special Provisions require that dividends and other distributions paid to shareholders of H Shares by the company be declared and calculated in RMB and paid in foreign currencies.

Under the Mandatory Provisions, a company shall make foreign currency payments to shareholders through a receiving agent.

**17. Amendments to the Articles of Association**

According to the PRC Company Law, a resolution at a shareholders' general meeting to amend a company's articles of association shall be passed by more than two-thirds of the shareholders with voting rights who attend the meeting. Pursuant to the Mandatory Provisions, a company may amend its articles of association in accordance with the laws, administrative regulations and the requirements under the articles of association. The amendments to the articles of association involving the content of the Mandatory Provisions shall only be effective upon approval by the department in charge of examination of the company authorized by the State Council and approval by a securities regulatory department under the State Council, while amendments to the articles of association involving matters of company registration, change in registration shall be completed with the relevant authority in accordance with the laws.

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**18. Dissolution and Liquidation**

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

In the event of (1) above, the company may carry on its existence by amending its articles of association. Amendments to the articles of association in accordance with the provisions set out above shall be passed by more than two-thirds of the shareholders with voting rights who attend the shareholders' general meeting. Where the company is dissolved in the circumstances described in (1), (2), (4), or (5) above, a liquidation committee shall be established and the liquidation process shall commence within 15 days upon the occurrence of an event of dissolution. The liquidation committee shall compose the directors or the personnel appointed at the shareholders' general meeting. If a liquidation committee is not established to conduct liquidation within the stipulated period, the company's creditors may apply to a people's court and request the court to appoint relevant personnel to form a liquidation committee. The people's court shall accept such application and form a liquidation committee to conduct liquidation in a timely manner.

A liquidation committee may exercise the following powers during the liquidation period: (1) to dispose the company's assets and to prepare a balance sheet and an inventory of the assets; (2) to notify the company's creditors through notice or announcement; (3) to handle the company's outstanding businesses related to liquidation; (4) to settle all tax overdue as well as tax amounts arising from the process of liquidation; (5) to settle credits and pay off debts; (6) to handle the company's remaining assets after settling its debts; and (7) to represent the company in a civil lawsuit.

The liquidation committee shall notify the company's creditors within 10 days upon its establishment and publish an announcement on newspapers within 60 days. A creditor shall file his claim with the liquidation committee within 30 days upon receipt of the notification, or within 45 days of the date of the announcement if they have not received any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any debt settlement with the creditors during the period of the claim.



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Upon disposal of the company's assets and preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the shareholders' general meeting or the people's court for verification. The company's remaining assets, after payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders according to the proportion of their shareholding. The company shall continue to exist during the liquidation period, it however cannot commence any operating activities that are not related to the liquidation. The company's assets shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's assets, and preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for declaration of bankruptcy in accordance with the laws. After the people's court has ruled that the company is declared bankrupt, the liquidation committee shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation of the company, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders' general meeting or the people's court for verification. It shall also file with a company registration authority for deregistration of the company and declare the company dissolved by way of an announcement. Members of the liquidation committee are required to discharge their duties faithfully and in compliance with the laws. Members of the liquidation committee shall not take advantage of their powers and accept bribes or other unlawful income, nor misappropriate the company's assets. Members of the liquidation committee who have caused the company or its creditors to suffer from any loss due to intentional fault or gross negligence are liable for making compensations to the company or its creditors.

In addition, the liquidation of a company which has declared bankrupt in accordance with the laws shall be subject to liquidation of bankruptcy in accordance with the laws on corporate bankruptcy.

### **19. Loss of Share Certificates**

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

The procedure regarding the loss of H Share certificate(s) is provided for in the Mandatory Provisions, details of which are set out in the Articles of Association.

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### 20. Merger and Division

According to the PRC Company Law, in the case of a merger, a merger agreement shall be signed by all parties, and they shall prepare their balance sheets and inventory of assets. The company shall notify its creditors within 10 days upon the date of passing of the resolution which approves the merger, and announce the merger on a newspaper within 30 days. A creditor may request the company to settle any outstanding debts or provide guarantees accordingly within 30 days upon receipt of the notification, or within 45 days of the date of the announcement if they have not received any notification. Where companies merge, the credits and debts of the merging parties shall be assumed by the surviving or the new company upon merging.

In case of a division, the company's assets shall be divided accordingly. The debts of the company which have accrued prior to the division shall be jointly borne by the divided companies, unless it is otherwise agreed by way of an agreement in writing with the creditors in respect of the settlement of debts before the company's division.

Changes in registration as a result of a merger or division shall be completed with a relevant registration authority in accordance with the laws. Where a company is dissolved or a new company is established, company deregistration or company registration shall be completed respectively in accordance with the laws.

### IV. SECURITIES LAWS AND REGULATIONS

The PRC has promulgated a series of regulations in relation to issuance and trading of a company's shares and disclosure of information. In October 1992, the State Council established the Securities Committee and 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 CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for drafting regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, managing the trading of securities, preparing securities-related statistics and conducting relevant research and analysis. The State Council dissolved the Securities Committee and its duties were assumed by CSRC in 1998.

The Securities Law came into 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, and the last revised Securities Law was implemented on March 1, 2020. The Securities Law is the first volume of national securities law in the PRC to fully regulate the activities in securities market in the PRC. It is divided into 14 chapters and 226 articles covering the issuance and trading of securities, the takeovers of listed companies, and the duties and responsibilities of stock exchanges, securities companies, securities registration and clearing institutions, and securities regulatory and administration authorities. Article 224 of the Securities Law provides that a domestic enterprise shall satisfy the relevant requirements set out by the

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State Council when they issue or list securities outside the PRC directly or indirectly. Currently, the issuance and trading of shares (including H Shares) outside the PRC are governed by the regulations and rules promulgated by the State Council and CSRC.

### 1. Overseas Listing

The shares of a company shall only be listed overseas after an approval is obtained from the securities regulatory and administration authorities of the State Council, and the listing shall follow the procedures specified by the State Council.

According to the Guidelines for Supervising the Application Documents and Examination Procedures for the Overseas Stock Issuance and Listing of Joint Stock Companies (《關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》), the application documents for the overseas stock issuance and listing of joint stock companies granted by CSRC are valid for a term of 12 months.

### 2. Suspension and Termination of Listing

Where a termination of listing and trading of shares has been decided by a stock exchange, it shall duly publish an announcement and file with a securities regulatory and administration authorities of the State Council.

## V. ARBITRATION AND ENFORCEMENT OF AN ARBITRAL AWARD

The Arbitration Law of the PRC (2017 Amendment) (hereinafter referred to as the "Arbitration Law") was enacted by the Standing Committee of the NPC on August 31, 1994, and came into effect on September 1, 1995, and was last amended on September 1, 2017 and implemented on January 1, 2018. It is applicable to the disputes relating to contracts and other properties in which the involved parties have entered into a written agreement to resolve the disputes by arbitration of an arbitration committee constituted in accordance with the Arbitration Law. The Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration provisions in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have reached an arbitration agreement, a people's court will refuse to handle a legal proceeding initiated by one party made to such people's court, unless the arbitration agreement is invalid.

The Hong Kong Listing Rules and the Mandatory Provisions require that arbitration clauses shall be included in the articles of association of a company listed in Hong Kong, and the Hong Kong Listing Rules also require that arbitration clauses shall be included in contracts between the company and each of the directors or supervisors, such that in case of occurrence of any dispute or claim among the following parties, such dispute or claim shall refer to arbitration: (1) a holder of H Shares and a company; (2) a holder of H Shares and a holder of domestic shares; (3) a holder of H Shares and directors, supervisors or other management personnel of a company, which are disputes or rights of assertion in relation to the affairs of the company arising from rights and obligations as provided in the articles of association, the PRC Company Law and other relevant laws and administrative regulations concerning the affairs of the company.

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Such parties may elect to refer such disputes or rights of assertion to arbitration at the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Disputes as defined by such shareholder and the disputes in relation to the company's register do not necessarily resolve by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the Hong Kong International Arbitration Centre, then either party may apply to have such arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award shall be final. Once an arbitral award is made, an arbitration committee or a people's court will refuse to accept the application for arbitration or prosecution filed to the people's court by a party regarding the same dispute. If either party fails to comply with the arbitral award, the other party to the award may apply to the people's court to enforce such arbitration award. However, the people's court may refuse to enforce an arbitral award made by the arbitration committee if there is a violation of the arbitration of procedures, including but not limited to the violation in the composition of the arbitration tribunal, or that matter of arbitration does not fall into the scope of the arbitration agreement, or that the arbitration committee is not entitled to carry out the arbitration.

### VI. MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

#### Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

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Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription.

### Share Capital

Under the Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) cancelling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Any increase in the registered capital of a PRC company must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities (if applicable).

The newly amended PRC Company Law effective on October 26, 2018 has no requirements for the minimum registered capital of a joint stock company. However, if laws, administrative regulations and State Council decisions provide otherwise on the paid-up registered capital and minimum registered capital of a joint stock company, such laws, administrative regulations and State Council decisions shall prevail. The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no overvaluation or undervaluation of the assets. If laws and administrative regulations provide otherwise on the valuation, such laws and administrative regulations shall prevail. There is no such restriction on a company incorporated in Hong Kong.

### Restrictions on Shareholding and Transfer of Shares

Generally, overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau SAR and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Hong Kong Stock Connect, they may also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

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When the application for "full circulation" has been approved by the CSRC, the domestic unlisted shares of the H share listed company, after conversion into H shares, might be listed and circulated on the Hong Kong Stock Exchange. Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management.

There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from the restriction on the Company to issue additional Shares within six months following the [REDACTED].

### **Financial Assistance for Acquisition of Shares**

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

### **Notice of Shareholders' Meetings**

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is fourteen (14) days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least fourteen (14) days before the meeting. The notice period for the annual shareholders' general meeting is twenty one (21) days.



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### Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least twenty (20) days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

### Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting.

### Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of amendments of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix V to this document.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

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We have incorporated provisions to protect the rights of class shares into the Articles of Association in a similar way as required by the laws of Hong Kong in accordance with the Hong Kong Listing Rules and Mandatory Provisions. The Articles of Association define the holders of overseas listed shares and domestic shares as shareholders of different classes of shares. The special procedure for voting by class shareholders is not applicable in the following circumstances: (1) after approval by a special resolution at a shareholders' general meeting, the Company issue H Shares at an interval of 12 months, and the proposed number of H Shares to be issued will not exceed 20% of the outstanding issued shares of such class; (2) the plans to issue H Shares upon establishment of the Company are completed within 15 months from the date of approval by the securities regulatory authority of the State Council or within a period specified by the applicable relevant regulations; and (3) after approval has been granted by the competent securities authority of the State Council and other approval authorities (if applicable), the Company converts its domestic shares into foreign shares which are listed and traded on an overseas stock exchange.

### **Derivative Action by Minority Shareholders**

Under Hong Kong company law, minority shareholders may start a derivative action against directors for their misfeasance committed against the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors for their misfeasance committed against the company in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates such requirements and causes losses to the Company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide other remedies against the Directors, Supervisors and senior management who breach their duties to the Company.

### **Minority Shareholder Protection**

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the

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unfairly prejudicial conduct. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of all voting rights of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to the interests of shareholders, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions. These provisions state that except for the obligations required by laws, administrative regulations or the listing rules of the stock exchange where the company's shares are listed, a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders to relieve a director or supervisor of his/her duty to act honestly in our best interests, or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

### **Directors**

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and providing guarantees for directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

### **Board of Supervisors**

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **Fiduciary Duties**

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care.

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Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

### **Financial Disclosure**

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

According to the PRC laws, a joint stock limited company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the Chinese accounting standards and regulations, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the China accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant domestic and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

### **Information on Directors and Shareholders**

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings, resolutions of the board of directors meetings, resolutions of the board of supervisors meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

### **Receiving Agent**

Under the PRC Company Law and Hong Kong laws, dividends once declared will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong laws is six years, while under the PRC laws this limitation period is three years.

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The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends distributed and other payables owed by the company in respect of its overseas listed foreign shares.

### **Corporate Reorganization**

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Pursuant to the PRC Company Law, which was amended by the Standing Committee of the NPC and came into effect on October 26, 2018, merger, division, dissolution or changes to the form of a joint stock limited liability company shall be approved by shareholders representing over two-thirds of voting rights at the general meeting.

### **Special Withdrawal**

Under the PRC Company Law, a company is required to appropriate a certain prescribed percentage of profits as the statutory reserve fund after allocating its after-tax profits for the year.

There are no corresponding provisions under Hong Kong law.

### **Arbitration of Disputes**

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission, at the claimant's choice. The verdicts made by such arbitration authorities are conclusive and binding on each party.

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The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau SAR and Taiwan.

### **Remedies of a Company**

Under the PRC Company Law, if a director, supervisor or senior management person 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 shall be held liable to the company for such damages.

The Hong Kong Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

### **Dividends**

Pursuant to relevant PRC laws and regulations, the company in certain circumstances shall withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong laws, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

### **Closure of Register of Shareholders**

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year.

As required by the Mandatory Provisions, share transfers shall not be registered within thirty (30) days before the date of convening a general meeting or within five (5) days before the base date of distribution of dividends.