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THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the People's Republic of China (《中華人民共和國憲法》) or the Constitution and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, departmental rules, rules of local governments, international treaties of which the PRC Government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》), or the Legislation Law, the National People's Congress or the NPC and the SCNPC exercise the legislative power of the State. The NPC formulates and amends basic laws governing criminal, civil, State organs and other matters. The SCNPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state 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 standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or 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 provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of local ethnic groups. The autonomous regulations and separate regulations of autonomous regions shall come into force after being submitted to the SCNPC for approval. The autonomous regulations and separate regulations of autonomous prefectures or autonomous counties shall come into force after being submitted to the Standing Committee of the People's Congresses of provinces, autonomous regions and municipalities for approval.

The ministries, commissions of the State Council, the PBOC, the National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within their respective authority based on the laws and the administrative regulations, decisions and orders of the State Council.

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The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules based on the laws, administrative regulations and local regulations of such provinces, autonomous regions or municipalities.

The Constitution has the highest legal effect, and any laws, administrative regulations, local laws and regulations, autonomous regulations as well as separate regulations and rules shall not contravene the Constitution. Laws have higher legal authority than administrative regulations, local regulations and rules. Administrative regulations have higher legal authority than local regulations and rules. Local regulations have higher legal authority than rules of local government at the same level or at a lower level. The rules formulated by the people's governments of provinces or autonomous regions have higher legal authority than those formulated by the people's government of cities divided into districts and autonomous prefectures within the administrative areas of provinces and autonomous regions.

The NPC has the right to alter or revoke inappropriate laws enacted by its Standing Committee, and has the right to revoke any autonomous regulations or separate regulations approved by the SCNPC but contrary to the provisions of the Constitution or the Legislation Law. The SCNPC has the right to revoke administrative regulations that contravene the Constitution and laws, and to revoke local regulations that contravene the Constitution, laws and administrative regulations, as well as to revoke the autonomous regulations and separate regulations approved by the Standing Committee of the People's Congresses of provinces, autonomous regions and municipalities but in violation of the Constitution and the Legislation Law. The State Council has the right to alter or revoke inappropriate department rules and rules of local government. The People's Congresses of provinces, autonomous regions and municipalities have the right to alter or revoke inappropriate local regulations enacted or approved by their Standing Committees. The people's governments of provinces and autonomous regions have the right to alter or revoke inappropriate rules formulated by the people's governments at a lower level.

According to the Constitution, the power to interpret laws is vested in the SCNPC. Pursuant to the Resolution of the Standing Committee of the National People's Congress Providing an Improved Interpretation of the Law (《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》) effective on June 10, 1981, in cases where the limits of articles of laws and decrees need to be further defined or additional stipulations need to be made, the SCNPC should provide interpretations or make stipulations by means of decrees. Issues related to the specific application of laws and decrees in a court trial and a prosecution process of the procuratorates should be interpreted by the Supreme People's Court and the Supreme People's Procuratorate, respectively. The State Council and the competent departments shall be responsible for the interpretation of the specific application of other laws and decrees that are not in the course of trial and prosecutorial work. Where local regulations need to be further defined or supplemented, the Standing Committee of the People's Congresses of provinces,

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autonomous regions, or municipalities that formulated the regulations shall interpret or make a provision. Any specific application of local regulations shall be interpreted by the competent departments of the people’s governments of provinces, autonomous regions, or municipalities.

THE PRC JUDICIAL SYSTEM

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

The Supreme People’s Court is the highest judicial authority. The local people’s courts are divided into three levels, namely, the higher people’s courts, the intermediate people’s courts and the primary people’s courts. Special people’s courts include, among others, military courts and maritime courts, intellectual property courts, and financial courts. The Supreme People’s Court shall supervise the judicial work of the local people’s courts at all levels and special people’s courts, and people’s courts at higher levels shall supervise the judicial work of people’s courts at lower levels.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》), or the PRC Civil Procedure Law enacted by the NPC on April 9, 1991 and amended by the SCNPC on October 28, 2007, August 31, 2012, June 27, 2017 and December 24, 2021, respectively, prescribes the conditions for instituting a civil procedure, the jurisdiction of the people’s courts, the procedures for conducting the civil procedure, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil procedure conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant’s place of domicile. The parties to a contract may, by a written agreement, choose a people’s court of jurisdiction located at the places directly connected with the disputes, such as the defendant’s place of domicile, the place where the contract is executed or signed, the plaintiff’s place of domicile or the place where the object is located, provided that such choice may not contravene the provisions of the PRC Civil Procedure Law regarding hierarchical jurisdiction and exclusive jurisdiction.

Generally, foreign nationals or enterprises shall have equal procedural rights and obligations as citizens or enterprises of the PRC. If any party to a civil procedure refuses to abide by a judgment or ruling made by a people’s court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people’s court for the enforcement of the same within two years.

Where a party applies for enforcement of a legally effective judgement or ruling made by a people’s court, and the opposite party or his property is not within the territory of the People’s Republic of China, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgement or ruling, or the people’s court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or the principle of reciprocity, request recognition and enforcement by a foreign court.

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Where a legally effective judgment or ruling made by a foreign court needs to be recognized and enforced by the people's court of the PRC, the parties involved may directly apply to an intermediate people's court of the PRC with jurisdiction for recognition and enforcement, or the foreign court may, in accordance with the provisions of international treaties entered into or acceded to by that country and the PRC or according to the principle of reciprocity, request the people's court to recognize and enforce it. For a legally effective judgment or ruling made by a foreign court applying for or requesting recognition and enforcement, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or according to the principle of reciprocity and having arrived at the conclusion that it does not contravene the basic principles of the laws of the PRC nor violate its sovereignty, security or public interests, recognize the validity of such judgment or ruling, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant provisions of the PRC Civil Procedure Law. In the event that the judgment or ruling contravenes the basic principles of the laws of the PRC or violates its sovereignty, security or public interests, such judgment or ruling shall not be recognized or enforced.

According to the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) released by the Supreme People's Court on July 3, 2008 and effective from August 1, 2008, in the case of an enforceable final judgment on the payment amount made between the court of the Mainland and the court of the Hong Kong Special Administrative Region in a civil or commercial case with written jurisdiction agreement, any party concerned may apply to the people's court of the Mainland or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement.

THE PRC COMPANY LAW, THE SPECIAL REGULATIONS AND THE MANDATORY PROVISIONS

A joint stock company incorporated in the PRC and listed on the Hong Kong Stock Exchange shall mainly comply with the following three laws and regulations of the PRC:

The PRC Company Law, which was promulgated by the SCNPC on December 29, 1993 and came into force on July 1, 1994, and was revised by the SCNPC on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, respectively. The latest revised PRC Company Law has taken effect from October 26, 2018.

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The Special Regulations of the State Council on Overseas Share Offering and Listing of Joint Stock 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》), or the Special Regulations, which were enacted and promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the PRC Company Law of (1993 version), and were applicable to the issuance of shares to overseas investors by and overseas listing of joint stock companies.

The Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》), or the Mandatory Provisions, which were jointly promulgated by China Securities Regulatory Commission or the CSRC and the State Commission for Restructuring Economic on August 27, 1994, and set forth the clauses that must be stated in the articles of association of a joint stock limited company seeking an overseas listing. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association of the Company.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

GENERAL PROVISIONS

A joint stock limited company refers to a corporate legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal nominal value. The shareholders of the joint stock limited company shall bear liability for the company to the extent of the shares they subscribe for, and the joint stock limited company shall bear liability for the debts of the company with all its assets.

INCORPORATION

A joint stock limited company may be incorporated 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 be resident within the PRC.

For joint stock limited companies incorporated 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.

For joint stock limited companies incorporated by way of subscription, after the subscription monies for the share issue have been paid in full, a capital verification institution established under the PRC laws must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies. The promoters shall inform the subscribers of or announce the date of the meeting 15 days before the inauguration meeting was convened.

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Within 30 days after conclusion of the inauguration meeting, the Board of Directors shall apply to the company registration authority for registration of the establishment of the joint stock limited company. The joint stock limited company is formally established and has the status of a legal person after a business license has been issued by the relevant registration authority.

ISSUE OF SHARES

The issuance of shares of joint stock limited company shall be conducted in accordance with the principles of fairness and justice so that each of the shares of the same class shall carry the same rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same; for the shares subscribed by an entity or an individual, the price per share paid must be the same. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A joint stock limited company may [REDACTED] to specific and non-specific overseas investors and list its shares overseas upon approval from the securities commission of the State Council. Under the Special Regulations, shares issued to foreign investors by joint stock companies and listed overseas are known as overseas listed foreign shares; while shares issued to domestic investors by joint stock companies that also issue overseas listed foreign shares are known as domestic shares. Upon approval of the CSRC, a Company issuing overseas listed foreign shares within total shares determined by the issuance plan may agree with [REDACTED] in the [REDACTED] to retain not more than [REDACTED] of the number of overseas listed foreign shares proposed to be raised in addition to the [REDACTED] amount. The issuance of the retained shares is deemed to be a part of this issuance.

REGISTERED SHARES

Under the PRC Company Law, shareholders may make capital contributions in the form of money or appraised non-monetary assets including real objects, intellectual property and land use right which can be appraised in money and transferred according to laws. Under the Special Regulations, overseas listed foreign shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall be in registered form.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a register of members which sets forth the following matters:

- (I) the name and domicile of each shareholder;
- (II) the number of shares held by each shareholder;
- (III) the serial numbers of shares held by each shareholder; and
- (IV) the date on which each shareholder acquired the shares.

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INCREASE OF CAPITAL

Under the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at the 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. When a company launches a public issue of new shares to the public upon the approval by the securities regulatory authorities of the State Council, a new share offering prospectus and financial and accounting reports must be announced and a share subscription form must be prepared. After the new shares issued by the company have been paid up, the change must be registered with the company registration authority and a public announcement shall be made.

REDUCTION OF CAPITAL

When reducing its registered capital, the company must prepare a balance sheet and an inventory of property. Within 10 days of the date on which the resolution on reducing registered capital is made, the company shall notify the creditors and within 30 days, the company shall make a public announcement. The creditors of the company may require the company to repay its debts or provide guarantees within 30 days of receipt of the notification or within 45 days of the date of the announcement if he/she/it has not received any notification.

REPURCHASE OF SHARES

Pursuant to the PRC Company Law, a joint stock limited company may not repurchase its own shares other than for one of the following purposes:

- (I) reducing the company's registered capital;
- (II) merging with another company holding shares in the Company;
- (III) to use shares for employee stock ownership plan or equity incentives;
- (IV) a shareholder requesting the company to purchase the shares held by him since he objects to a resolution of the shareholders' meeting on the combination or division of the company;
- (V) utilizing the shares for conversion of corporate bonds which are convertible into shares issued by a listed company; and
- (VI) where it is necessary for a listed company to maintain its corporate value and shareholders' equity.

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A resolution of a shareholders' general meeting is required for the repurchase of company's own shares under either of the circumstances stipulated in item (I) or item (II) above; for a company's repurchase of its own shares under any of the circumstances stipulated in item (III), item (V) or item (VI) above, a resolution of a meeting of the Board of Directors shall be made by more than two-thirds of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' general meeting. The company's shares acquired under the circumstance stipulated in item (I) hereof shall be deregistered within 10 days from the date of acquisition of shares; the shares shall be assigned or deregistered within six months if the repurchase of company's own shares is made under the circumstances stipulated in either item (II) or item (IV); and the shares of the company held in total by the company after the repurchase of shares under any of the circumstances stipulated in item (III), item (V) or item (VI) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

TRANSFER OF SHARES

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Under the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council.

Registered shares may be transferred by endorsement or in any other manner specified by the laws or administrative regulations. After the transfer, the transferee's name and address shall be recorded in the register of members by the company.

According to the Mandatory Provisions, change of the register of members arising from share transfer shall not be registered within 30 days before convening of a shareholders' general meeting or within 5 days prior to the base date on which the company decides to distribute dividends.

Under the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issuance of shares may not be transferred within one year of the date of the shares of the company are listed and traded on a stock exchange. The directors, supervisors and senior management personnel of the company shall report to the company their shareholdings in the company and changes thereof and shall not transfer more than 25% of the total shares held by them in the company per annum during their terms of office; the shares they hold in the company shall not be transferred within one year from the date on which the shares of the company are listed and traded. The shares they held in the company also cannot be transferred within half a year after such persons have left office.

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SHAREHOLDERS

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- (I) attend or appoint a proxy to attend shareholders' general meetings, and to exercise corresponding voting rights;
- (II) to transfer the shares in accordance with laws, administrative regulations and provisions of the articles of associations;
- (III) to inspect the articles of association, register of members, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of the Board of Directors, resolutions of the Board of Supervisors and financial and accounting reports and to supervise, manage and make suggestions or inquiries in respect of the company's operations;
- (IV) if any resolution of the shareholders' general meetings or Board of Directors violates the articles of association, the shareholders shall request the people's court to cancel such resolutions;
- (V) to receive dividends and other kinds of benefits distributions as determined by the number of shares held by them;
- (VI) to participate in the distribution of the remaining assets of the company based on the number of shares held in the event of the company's dissolution or liquidation; and
- (VII) other 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 and with the method of subscription, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholder obligation specified in the laws, administrative regulations and the company's articles of association.

SHAREHOLDERS' GENERAL MEETINGS

The shareholders' general meeting of a joint stock limited company is composed by all shareholders. The shareholders' general meeting is the organ of authority of the company, which exercises its functions and powers in accordance with the PRC Company Law.

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Under the PRC Company Law and the Mandatory Provisions, the shareholders' general meeting shall exercise the following major functions and powers:

- (I) to decide on the company's operational objectives and investment plans;
- (II) to elect and replace directors and supervisors which are not appointed as representatives of the employees and to decide on the remuneration of the relevant directors and supervisors;
- (III) to examine and approve reports made by the Board of Directors;
- (IV) to review and approve the reports of the Board of Supervisors;
- (V) to review and approve the company's annual financial budgets and final accounts;
- (VI) to review and approve the company's profit distribution proposals and loss recovery proposals;
- (VII) to decide on any increase or reduction of the company's registered capital;
- (VIII) to decide on the issue of corporate bonds;
- (IX) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;
- (X) amendments to the articles of association;
- (XI) to decide on the company's engagement, dismissal or discontinuation of the appointment of the accounting firm;
- (XII) other functions and powers stipulated by the laws, administrative regulations and the articles of association.

Pursuant to the PRC Company Law, a shareholders' general meeting is required to be held once every year. Under any of the following circumstances, the company shall convene an extraordinary general meeting within 2 months from the date of occurrence:

- (I) the number of directors is less than the number stipulated by the laws or less than two thirds of the number specified in the articles of association;
- (II) the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;

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- (III) shareholders who individually or jointly hold above 10% of the shares of the company have requested to convene the meeting;
- (IV) the Board of Directors deems it necessary to convene the meeting;
- (V) the Board of Supervisors proposes to convene the meeting;
- (VI) any other circumstances as provided for in the articles of association.

Pursuant to the PRC Company Law, a shareholders' general meeting shall be convened by the Board of Directors and chaired by the chairman of the Board of Directors. If the chairman of the Board of Directors is unable to perform his/her duties or fails to perform his/her duties, the vice chairman of the Board of Directors shall convene and preside over the shareholders' general meeting; if the vice chairman of the Board of Directors is unable to perform his/her duties or fails to perform his/her duties, more than half of the directors shall jointly recommend a director to convene and preside over the shareholders' general meeting. If the Board of Directors is unable to perform or fails to perform its duties of convening the shareholders' general meeting, the Board of Supervisors shall convene and preside over the meeting in a timely manner; if the Board of Supervisors fails to convene and preside over such meeting, shareholders individually or in aggregate holding more than 10% of the company's shares for more than 90 consecutive days may convene and preside over such meeting by themselves.

Pursuant to the PRC Company Law, notice of shareholders' general meetings stating the time and venue of and matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting; notice of extraordinary general meetings shall be given to all shareholders 15 days before the meeting; in case of meetings for issuance of bearer shares, a notice stating the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

Pursuant to the Mandatory Provisions, rights conferred to class shareholders may be varied or abrogated upon approval by way of a special resolution at a general meeting and by more than two thirds of the shareholding with voting rights at a separate class meeting convened by the affected class shareholders.

According to the PRC Company Law, shareholders present at shareholders' general meeting shall 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. An accumulative 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 accumulative voting system, when the shareholders' general meeting elects directors or supervisors, each share has the same voting rights as the number of directors or supervisors to be elected, and the voting rights owned by shareholders can be used collectively.

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Under the PRC Company Law and the Mandatory Provisions, the passing of any resolution of a shareholders' general meeting requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting. However, the resolutions made by the shareholders' general meeting on the following matters must be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting:

- (I) amendments to the articles of association;
- (II) the increase or decrease of the registered capital;
- (III) the issuance of any class of shares, warrants and other similar securities;
- (IV) the issuance of corporate bonds;
- (V) merger, division, dissolution and liquidation of the company or change of its corporate form;
- (VI) other matters that need to be passed by special resolutions that are determined by ordinary resolution of the shareholders' general meeting to have a significant impact on the company.

Under the PRC Company Law, the shareholders' general meeting shall make minutes of the meeting's decisions on the matters discussed at the meeting, and the chairperson and the directors attending the meeting shall sign the minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

BOARD OF DIRECTORS

According to the PRC Company Law, a joint stock limited company shall have a board of directors which shall consist of 5 to 19 members. Members of the Board of Directors may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may be re-elected and re-appointed upon expiry of his/her term of office. Such director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a reelected director of the company 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 during his/her term of office results in the number of members of board being less than the quorum.

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Under the PRC Company Law and the Mandatory Provisions, the Board of Directors may exercise the following functions and powers:

- (I) to convene shareholders' general meetings and report its performance at the shareholders' general meetings;
- (II) to execute resolutions of shareholders' general meetings;
- (III) to decide on the company's business plans and investment plans;
- (IV) to formulate proposal for the company's annual financial budgets and final accounts;
- (V) to formulate the company's profit distribution proposals and loss recovery proposals;
- (VI) to make plans for the increase or decrease of the registered capital of the company and for the issuance of corporate bonds;
- (VII) to formulate proposals for the merger, division or dissolution of the company and change of corporate form;
- (VIII) to decide on the internal management setup of the company;
- (IX) to resolve on appointment, dismissal and remunerations of the general manager of the company, and as nominated by the general manager, to resolve on appointment, dismissal and remunerations of the company's deputy general managers and chief financial officer;
- (X) to formulate the company's basic management system;
- (XI) to formulate proposals for any amendment to the articles of association;
- (XII) any other functions and powers stipulated in the articles of association.

THE BOARD MEETING

Under the PRC Company Law, meetings of the Board of Directors of a joint stock limited company shall be convened at least twice each year, and the notice of each meeting shall be given to all directors and supervisors 10 days before the meeting. Interim meetings of the Board of Directors may be proposed to be convened by shareholders representing more than one tenth 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 meetings of the Board of Directors.

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

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

CHAIRMAN

Pursuant to the PRC Company Law, the Board of Directors 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 meetings of the Board of Directors and review the implementation of resolutions of the Board of Directors. The vice chairman shall assist the chairman to perform his/her duties. If the chairman is unable to perform his/her duties or fails to perform his/her duties, the vice chairman shall perform the duties on behalf of the chairman; if the vice chairman is incapable of performing or not performing his/her duties, a director nominated by more than half of the directors shall perform his duties.

QUALIFICATION OF DIRECTORS

Pursuant to the PRC Company Law and Mandatory Provisions, anyone who is under any of the following circumstances shall not serve as a director in a company:

- (I) a person without or with limited capacity for civil conduct;
- (II) a person who has been convicted of an offence of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- (III) a director, factory director or manager of bankrupt and liquidated companies or enterprises whereby such person was personally liable for the bankruptcy of such companies or enterprises, and three years have not elapsed from which the liquidation of the companies or enterprises was completed;

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- (IV) a legal representative of companies or enterprises which have had their business licenses revoked and the business of such companies or enterprises were compulsorily closed down due to a violation of laws for which such person was personally liable, and three years have not elapsed from which the business license of the company or enterprise was revoked;
- (V) a person who is liable for a relatively large amount of debts that are overdue;
- (VI) a person under investigation by judicial authorities for suspected violations of criminal law and the investigation is still ongoing;
- (VII) a person cannot assume the position of leader of an enterprise according to laws and administrative regulations;
- (VIII) a non-natural person;
- (IX) a person has been ruled as violations of the provisions of relevant securities regulations by the competent authority, involving fraud or dishonesty, and five years have not elapsed from the date of the ruling.

BOARD OF SUPERVISORS

According to the PRC Company Law, a joint stock limited company shall have a Board of Supervisors composed of not less than three members. The Board of Supervisors shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the Board of Supervisors shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise.

Directors and senior management members shall not act concurrently as supervisors.

Each term of office of the supervisors shall be three years, and the supervisors may hold a consecutive term upon re-election. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/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 shall have one 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 chairman shall convene and preside over meetings of the Board of Supervisors; if the chairman of the Board of Supervisors is unable to perform his/her duties or

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fails to perform his/her duties, the vice chairman of the Board of Supervisors shall convene and preside over the meetings of the Board of Supervisors; if the vice chairman of the Board of Supervisors is unable to perform his/her duties or fails to perform his/her duties, more than half of the supervisors shall jointly recommend a supervisor to convene and preside over the meetings of the Board of Supervisors.

The Board of Supervisors may exercise its powers:

- (I) to check the financial situations of the company;
- (II) to supervise the acts of the directors and senior management personnel in performing their duties to the company and propose the removal of those directors and senior management personnel who violate the laws, administrative regulations, the articles of association or resolutions of shareholders' general meetings;
- (III) to demand any director or senior management personnel who acts in a manner which is detrimental to the company's interests to rectify such behaviors;
- (IV) to propose the convening of extraordinary general meetings and, in case the Board of Directors does not perform the obligations to convene and preside over the shareholders' general meetings in accordance with PRC Company Law, to convene and preside over the shareholders' general meetings;
- (V) to propose motions to the shareholders' general meeting;
- (VI) to bring actions against the directors and senior management personnel in accordance with Article 151 of the PRC Company Law;
- (VII) to exercise other functions and powers as specified in the articles of association.

Supervisors may be present at 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, may engage an accounting firm to assist its work at the cost of the company.

MEETINGS OF THE BOARD OF SUPERVISORS

Pursuant to the PRC Company Law, the meetings of the Board of Supervisors shall be held at least once every six months. Supervisors may propose to convene an extraordinary meeting of the Board of Supervisors. Resolutions of the Board of Supervisors shall be passed by more than half of the supervisors. The Board of Supervisors shall make minutes of the meeting's decisions on the matters discussed at the meeting, and the supervisors attending the meeting shall sign the minutes.

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MANAGER AND SENIOR MANAGEMENT

Pursuant to the PRC Company Law, a joint stock limited company shall have a manager who shall be appointed or removed by the Board of Directors. The manager shall be accountable to the Board of Directors, may exercise the following functions and powers:

- (I) to take charge of the management the production, operation and administration of the company and arrange for the implementation of the resolutions of the Board of Directors;
- (II) to arrange for the implementation of the company's annual operation plans and investment proposals;
- (III) to formulate proposals for the establishment of the company's internal management organs;
- (IV) to formulate the fundamental management system of the company;
- (V) to formulate the company's specific rules and regulations;
- (VI) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;
- (VII) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the Board of Directors);
- (VIII) to exercise other functions and powers granted by the Board of Directors. The manager shall be present at the meetings of the Board of Directors.

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

OBLIGATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Directors and senior management of the company are prohibited from:

- (I) misappropriating company funds;
- (II) depositing company funds into accounts under their own names or the names of other individuals to deposit;

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- (III) loaning company funds to others or providing guarantees in favor of others supported by the company's property in violation of the articles of association or without approval of the shareholders' general meeting or the Board of Directors;
- (IV) entering into contracts or transactions with the company in violation of the articles of association or without approval of the shareholders' general meeting;
- (V) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the shareholders' general meeting;
- (VI) accepting for their own benefit commissions from other parties dealing with the company;
- (VII) unauthorized divulgence of confidential information of the company;
- (VIII) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company. If a director, supervisor or senior management in carrying out his/her duties infringes any law, administrative regulation or the articles of association of the company, which results in damage to the company, that director, supervisor or senior management shall be liable for compensation.

FINANCE AND ACCOUNTING

According to the PRC Company Law, a company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the financial departments of the State Council. A company shall prepare its financial and accounting reports at the end of each fiscal year, which reports shall be audited by accounting firm according to law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

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 shareholders' annual general meeting; a joint stock limited company of which the shares are publicly offered must publish its financial report.

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The company shall withdraw 10% of the annual after-tax profits as the statutory reserve fund of the company. Such withdrawal may be stopped when the statutory reserve fund of the company has accumulated to at least 50% of the registered capital of the company. If the statutory reserve fund is insufficient to make up for the losses of the preceding year, the profits of the current year shall first be used to make up for the said losses before any statutory reserve fund is withdrawn as per the preceding paragraph. After statutory reserve fund is withdrawn out of the after-tax profits, discretionary reserve fund may also be withdrawn out of the same as per a resolution made at a shareholders' general meeting. After the joint stock limited company has made up for its losses and made allocations to its discretionary reserve fund, the remaining after-tax profits 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. The company shall not be entitled to any distribution of profits in respect of shares held by it. The reserve fund of a company shall be applied to make up for the company's losses, expand its business operations or transfer to increase its capital. Upon the transfer of the statutory reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

Proceeds from shares issued by a joint stock limited company at a price above their nominal value and other revenues required by the financial departments of the State Council to be stated as capital reserve shall be accounted for as the capital reserve fund of the company. However, the capital reserve shall not be used to recover the losses of the company.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at a shareholders' general meeting or the Board of Directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or the Board of Directors conduct a vote on the dismissal of the accounting firm.

The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

Pursuant to the Mandatory Provisions, an accounting firm appointed by the company shall have the following rights:

- (I) to inspect, at any time, the company's account books, records or vouchers, and shall have the right to require the directors, managers or other senior management members to provide relevant data and explanations;

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- (II) to require the company to take all reasonable measures to obtain documents and explanations from its subsidiaries necessary for the accounting firm to perform its duties;
- (III) to attend the shareholders' meetings, get notice of the meetings or other information related to the meetings that any shareholder has the right to receive, and deliver speeches at any shareholders' meeting on matters concerning its role as the accounting firm of the company.

The Special Regulations require a company to engage an independent accounting firm which complies with the relevant national regulations to audit the company's annual reports and to review and check other financial reports of the company. The accounting firm's term of office shall commence from the end of the shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

PROFIT DISTRIBUTION

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

Pursuant to the Mandatory Provisions, a company shall appoint for holders of overseas listed foreign shares a recipient agent. The recipient agent shall collect on behalf of the shareholders concerned the dividends distributed and other funds payable by the company in respect of the overseas listed foreign shares.

AMENDMENT TO ARTICLES OF ASSOCIATION

Amendments to the articles of association shall be made in accordance with the laws, administrative regulations and procedures stipulated in the articles of association. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory authorities of the State Council, while the amendment to articles of association involving matters of company registration must be registered with the relevant authority in accordance with applicable laws.

DISSOLUTION AND LIQUIDATION

Pursuant to the PRC Company Law, a company shall be dissolved for any of the following reasons:

- (I) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;
- (II) if the shareholders' general meeting resolves to do so;

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- (III) the company is dissolved by reason of its merger or division;
- (IV) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws;
- (V) 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 shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

In the event of item (I) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in items (I), (II), (IV) or (V) above, it should establish a liquidation team to start liquidation within 15 days of the date on which the dissolution matter occurs. The liquidation team of the company shall be composed of directors or any other person determined by a shareholders' general meeting. If no liquidation team is established after the said timeframe, the creditors may apply to the people's court for appointment of relevant persons to establish a liquidation team to commence liquidation. The people's court should accept such application and form a liquidation team to conduct liquidation in a timely manner.

The liquidation team may exercise following powers during the liquidation:

- (I) to dispose of the company's property and to prepare a balance sheet and an inventory of property, respectively;
- (II) to inform creditors by notice or announcement;
- (III) to deal with any outstanding businesses of the company related to liquidation;
- (IV) to pay any outstanding tax together with any tax arising during the liquidation process;
- (V) to settle the claims and debts;
- (VI) to handle the company's remaining property after its debts have been paid off; and
- (VII) to represent the company in any civil procedures.

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The liquidation team shall notify the creditors within 10 days after its establishment and shall make announcements on newspapers within 60 days. The creditors shall declare their creditor's rights to the liquidation team within 30 days after receipt of the notice or 45 days after announcement if the creditors have not received the notice. During the period of the claim, the creditor shall explain all matters relevant to the creditor's rights he/she has claimed and provide relevant evidential documents. The liquidation team shall register the creditor's rights. The liquidation team shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation team shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement.

The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation team becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation team shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation of the company, the liquidation team shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation and the company registration authority to cancel the company's registration, and an announcement of its termination shall be published.

Members of the liquidation team are required to discharge their duties in good faith and perform their obligation of the liquidation in compliance with laws. Members of the liquidation team shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation team shall assume compensation liability if the company or creditors incur losses as a result of the deliberate or gross default of the said members.

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OVERSEAS LISTING

The company should obtain approval from the CSRC prior to [REDACTED] its shares overseas according to the Special Regulations. Subject to approval of the company’s plans to issue overseas listed foreign shares and domestic shares by the CSRC, the Board of Directors of the company may make arrangement to implement such plans for issuance, respectively, within fifteen months from the date of approval by the CSRC. According to the Regulatory Guidelines for the Application Documents and Examination Procedures for the Overseas Share Issuance and Listing by 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》) promulgated by the CSRC, the approval documents for overseas stock issuance and [REDACTED] by the company granted by the CSRC shall be valid for a period of 12 months.

SUSPENSION AND TERMINATION OF LISTING

The PRC Company Law has deleted provisions governing suspension and termination of listing. The Securities Law of the People’s Republic of China (《中華人民共和國證券法》), or the PRC Securities Law which was promulgated by the SCNPC on December 29, 1998 and took effect on July 1, 1999, and revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively, has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules. Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

LOSS OF SHARE CERTIFICATES

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

In accordance with the Mandatory Provisions, where shareholders of overseas listed foreign shares lose their shares and apply for re-issuance, the matter may be dealt with in accordance with the laws, the rules of the stock exchange or other relevant provisions of the place where the original register of members of overseas listed foreign shares is kept.

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MERGER AND DIVISION

Merger of companies may be conducted by absorption or consolidation. If companies adopt the method of absorption, the absorbed company shall be dissolved. If companies are incorporated in the form of consolidation, the parties to the merger shall be dissolved.

The parties to the merger shall enter into a merger agreement and prepare a balance sheet and a list of properties. Within 10 days of the date on which the resolution on merger is made, the creditors shall be notified by the company and a public announcement shall be made at least third times in the press within 30 days. The creditors may require the company to repay its debts or provide guarantees for covering the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if he/she/it has not received any notification; and in case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. Within 10 days of the date on which the resolution on division is made, the creditors shall be notified by the company and a public announcement shall be made at least third times in the press within 30 days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies, unless otherwise stipulated in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division.

SECURITIES LAWS AND REGULATIONS

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

The PRC Securities Law is the first national securities law in China, and the regulatory matters include the issuance and trading of securities, the acquisition of listed companies, information disclosure, obligations and responsibilities of stock exchanges, securities companies and securities regulatory authorities, etc. The PRC Securities Law comprehensively regulates activities in the PRC securities market.

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According to the PRC Securities Law, domestic enterprises issuing securities overseas directly or indirectly or listing and trading their securities overseas shall comply with the relevant provisions of the State Council. At present, the issuance and trading of shares (including H shares) issued overseas is mainly regulated by rules and regulations issued by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Arbitration Law of the People’s Republic of China (《中華人民共和國仲裁法》) or the PRC Arbitration Law was promulgated by the Standing Committee of NPC on August 31, 1994, which came into effect on September 1, 1995, and was amended on August 27, 2009 and September 1, 2017. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people’s court will refuse to handle a legal proceeding initiated by one of the parties at such people’s court, unless the arbitration agreement is invalid.

According to the Mandatory Provisions, if any disputes or claims in relation to the company’s business, with respect to any rights or obligations under the articles of association, the PRC Company Law and other relevant laws and administrative regulations, arise between holders of overseas listed foreign shares and the company, between holders of overseas listed foreign shares and the company’s directors, supervisors, managers or other senior management personnel, or between holders of overseas listed foreign shares and holders of domestic shares, the parties concerned shall submit such disputes or claims to arbitration. Disputes with respect to the definition of shareholders and disputes concerning the register of shareholders need not to be resolved by arbitration.

When the aforementioned disputes or claims are submitted to arbitration, such disputes or claims shall be submitted in their entirety, and all persons (being the company, the company’s shareholders, directors, supervisors, managers or other senior management personnel) that have a cause of action based on the same grounds or the persons whose participation is necessary for the resolution of such disputes or claims, shall comply with the arbitration.

The applicant for arbitration may choose to be arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once the applicant for arbitration submits a dispute or claim to arbitration, the other party must carry out the arbitration at the arbitration institution selected by the applicant. If the arbitration applicant opts for arbitration by the Hong Kong International Arbitration Centre, either party may request arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

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Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If one party fails to implement the award made by an arbitration institution established according to the law, the other party may apply to the people's court having jurisdiction for enforcement.

If the respondent puts forward evidence to prove that the arbitral award is under any of the following circumstances, the award shall not be enforced upon examination and verification by an arbitration tribunal of the people's court:

- (I) the parties have no arbitration clause in their contract, nor have subsequently reached a written agreement on arbitration;
- (II) the matter to be ruled does not fall within the scope of the arbitration agreement or the arbitration institution has no right to arbitrate;
- (III) the composition of the arbitration tribunal or the arbitration procedure violates the legal procedure;
- (IV) the evidence on which the award is based is forged;
- (V) the other party conceals evidence sufficient to influence the impartial award from the arbitration institution;
- (VI) the arbitrators have committed acts of embezzlement, bribery, favoritism and malpractices, or perverting the law in arbitrating the case.

If the people's court determines that the enforcement of the award violates the public interest, the award shall not be enforced.

On December 2, 1986, the SCNPC promulgated the decision on accession to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》), or the New York Convention. The New York Convention provides that all arbitral awards made by a member country of the New York Convention shall be subject to recognition and enforcement by all other member countries of the New York Convention, but in certain circumstances, member countries have the right to refuse enforcement, including recognizing or enforcing the arbitral award is contrary to the public policies of the country.

In the decision on accession to the New York Convention, the SCNPC also stated:

- (I) the PRC will only apply the New York Convention to the recognition and enforcement of arbitral awards made in the territory of another contracting state based on the principle of reciprocity;
- (II) the PRC will only apply the New York Convention to disputes deemed under PRC law to be arising from contractual or noncontractual mercantile legal relations.

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The Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), or the Mutual Arrangement were passed at the Judicial Committee meetings of the Supreme People's Court on June 18, 1999, which went into effect on February 1, 2000. Under the Mutual Arrangement, if a party fails to perform the arbitral award rendered in the Chinese Mainland or the Hong Kong Special Administrative Region, the other party may apply for enforcement to the relevant court in the place where the respondent is domiciled or where the property is located.

REGULATIONS ON OVERSEAS INVESTMENT

According to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and took effect on March 1, 2018, overseas investment refers to the investment activities in which overseas ownership, control, operation and management rights and other relevant rights and interests are obtained by enterprises in China directly or overseas enterprises controlled by it, in the form of investment in assets, rights and interests or provision of financing and guarantee. When making overseas investment, the investor shall go through the overseas investment project approval, filing and other formalities in accordance with relevant conditions of the overseas investment project.

In accordance with the Administrative Measures for Outbound Investment (《境外投資管理辦法》) issued by the MOFCOM on September 6, 2014 and took effect on October 6, 2014, overseas investment refers to the behavior conducted by an enterprise legally established within the territory of China that owns a non-financial enterprise abroad or obtains the ownership, control, operation and management right and other rights and interests of an existing non-financial enterprise through new establishment, M&A or other means. The MOFCOM and the provincial competent departments of commerce shall be responsible for the administration and supervision of overseas investment. The MOFCOM and the provincial competent departments of commerce shall carry out administration either by record-filing or approval, depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves sensitive countries and regions or sensitive industries shall be subject to administration by approval. Outbound investment by enterprises that falls under any other circumstances shall be subject to administration by record-filing.

In accordance with the Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) promulgated by the SAFE on July 13, 2009 and took effect on August 1, 2009, overseas direct investment means that a domestic institution, approved by the competent overseas direct investment department, establishes enterprises or obtains ownership, control or management rights and other rights and interests of existing enterprises or projects overseas by means of establishment (sole proprietorship, joint venture or cooperation), M&A or equity participation. The SAFE implements the foreign exchange registration and filing system for the overseas direct investment of domestic institutions and the assets and relevant rights and interests thereof.