
APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISION

THE PRC LEGAL SYSTEM

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

The NPC is empowered to exercise the power to formulate and amend basic laws governing state authorities, civil, criminal and other matters in accordance with the Constitution and the PRC Legislation Law (《中華人民共和國立法法》). The SCNPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend part of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The SCNPC is empowered to interpret, enact and amend other laws not required to be enacted by the NPC.

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

The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, subject to the constitution, laws and administrative regulations. The people’s congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities and take the same effect after submitting to the standing committee of the people’s congresses of provinces or autonomous regions for approval. The standing committee of the people’s congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the constitution, laws, administrative regulations and local regulations of the province or autonomous region concerned. Where conflicts with the rules and regulations of the People’s Government of the province or autonomous region concerned are identified in the examination of local regulations of larger cities by the Standing Committee of the people’s congresses of provinces or autonomous regions, a decision should be made to deal with the matter. “Larger cities” refer to cities where the people’s governments of provinces or autonomous regions are located, cities where special economic zones are located and larger cities as approved by the State Council.

The ministries, committees, People’s Bank of China, National Audit Office of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people’s

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governments of provinces, autonomous regions, municipalities and larger cities may formulate rules based on the laws, administrative regulations and local regulations of such provinces and autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

THE PRC JUDICIAL SYSTEM

According to the Constitution and the Organic Law of the People's Court of the PRC (《中華人民共和國人民法院組織法》) which was recently amended on October 26, 2018 and effective on January 1, 2019, the judicial system of China is composed of the Supreme People's Court, the local People's Court, the military court and other special People's Courts. Local People's Courts are composed of grassroots People's Courts, intermediate People's Courts and higher People's Courts. Grassroots People's Courts may mainly set up civil, criminal, administrative, supervisory and legal enforcement departments. The structure of the intermediate People's Court is similar to that of the grassroots People's Court, and other courts may be set up as required. A higher level People's Court shall supervise the trial work of the People's Court at its lower levels. The Supreme People's Court is the highest judicial organ in China, which has the right to supervise the trial work of People's Courts at all levels and all special People's Courts. The People's Procuratorate also has the right to exercise legal supervision over the trial activities of the People's Court.

For judgment of cases, the People's Court implements the system whereby the second instance is the final instance. The parties may, in accordance with the procedures prescribed by law, appeal to the People's Court at the next higher level the decision and ruling of the first instance of the local People's Court. The People's Procuratorate may protest to the People's Court at the next higher level in accordance with the procedures prescribed by law. If the parties do not appeal or the People's Procuratorate does not protest within the period of appeal, the judgment and ruling of the first instance of the local People's Court at all levels is the final judgment and ruling with legal effect. The judgment and ruling of the intermediate People's Court, the higher People's Court and the Supreme People's Court of second instance and the Supreme People's Court of first instance are all final. Save for the judgment made by the Supreme People's Court, the death penalty shall be reported to the Supreme People's Court for approval.

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The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the “**Civil Procedure Law**”) was promulgated on April 9, 1991, recently amended on December 24, 2021 and became effective on January 1, 2022, prescribes the provisions for instituting a civil action, the jurisdiction of the People’s Courts, the procedures to be followed for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC shall comply with the Civil Procedure Law. In general, a civil case is heard by a court located in the defendant’s place of domicile. The competent court may also be selected by express agreement amongst the parties to a contract provided that the court selected is located at the plaintiff’s or the defendant’s place of domicile, the place of executing or performing the contract or the object of the action. However, the provisions of this Law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or foreign enterprise is generally given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a juridical system of a foreign country limit the litigation rights of PRC citizens and enterprises, subject to the principle of reciprocity, the PRC courts may apply the same limitations to the citizens and enterprises (in China) of that foreign country. 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 tribunal in the PRC, the other party may apply to the People’s Court for the enforcement of the same within a stipulated period. Should anyone be unable to execute the judgment of the People’s Court within a stipulated period, as a result of any party’s application, the People’s Court shall enforce such a judgment in accordance with the law.

When a party seeks to enforce a judgment or ruling of a People’s Court against a party who is not in China and does not own any property in China, he/she may apply to a foreign court with formal jurisdiction for recognition and enforcement of the judgment or ruling. If the People’s Court recognizes the validity of a legally effective judgment or ruling made by a foreign court applying for or requesting recognition and enforcement in accordance with an international treaty concluded or acceded to by China, or after reviewing in accordance with the principle of reciprocity, and considers that it does not violate the basic principles of the law in the PRC or national sovereignty, security or social and public interests, an enforcement order will be issued if enforcement is necessary, and relevant provisions shall be implemented. The People’s Court shall not recognize and enforce those who violate the basic principles of the law in the PRC or the sovereignty, security or public interests of the state

THE PRC COMPANY LAW AND THE GUIDELINES FOR THE ARTICLES OF ASSOCIATION OF LISTED COMPANIES

The Company Law of the PRC (the “**PRC Company Law**”) was adopted by the 5th meeting of the Standing Committee of the 8th National People’s Congress Session on December 29, 1993 and implemented on July 1, 1994. It was latest amended and implemented on October 26, 2018.

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According to the Guidelines on the Application of Regulatory Rules – No. 1 for Overseas Offering and Listing (《監管規則適用指引–境外發行上市類第1號》) which was promulgated by the CSRC on February 17, 2023, and came into effect on March 31, 2023, the domestic companies that directly offer and list securities in overseas markets, shall formulate their articles of association in line with the Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》) (the “**PRC Guidelines on AoA**”) promulgated by the CSRC on March 16, 2006 and latest amended on January 5, 2022.

Set out below is a summary of the major provisions of the PRC Company Law and the PRC Guidelines on AoA.

General Provisions

A “joint stock limited company” (in this Appendix IV the “**company**”) refers to a corporate legal person incorporated in China under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

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 be resident 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’s registration authorities. Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by the laws or administrative regulations. The remaining shares may be offered for sale to the public or specific persons, unless otherwise provided by laws.

For companies incorporated by way of promotion, the registered capital is the total amount of share capital subscribed by all promoters registered with the company registration authority. No capital may be raised from others until the capital subscribed by the promoters has been fully paid up. Where a company is established by means of public offering, the registered capital shall be the total amount of paid up capital registered with the company registration authority.

The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies, and shall notify all subscribers or announce the date of convening the founding meeting 15 days before the founding meeting.

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The founding meeting can only be convened in the presence of shareholders holding more than 50% of the total issued shares of the company. The founding meeting deals with the adoption of the Articles of Association drafted by the promoters and the election of the members of the board of directors and the supervisory board. All resolutions of the founding meeting shall be approved by more than half of the voting rights of the subscribers present at the meeting.

Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant administration for industry and commerce and a business license has been issued.

After the establishment of the company, if the promoters fail to make full capital contributions in accordance with the Articles of Association, the other promoters shall bear joint and several liability. If it is found that the actual amount of the non-monetary property as the capital contribution for the establishment of the company is significantly lower than the book value specified in the Articles of Association, the promoters who deliver the capital contribution shall make up the difference; other promoters shall bear joint and several liability.

A company's promoter shall be liable for the followings:

- (i) the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;
- (ii) the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and
- (iii) in the process of establishing a company, if the interests of the company are damaged due to the breach of contract of the promoters, the company shall be liable for compensation.

Repurchase of Shares

A company shall not purchase its own shares except under any of the following circumstances:

- (i) Reducing the registered capital of the company;
- (ii) Merging with another company that holds its shares;
- (iii) Using shares for employee stock ownership plan or equity incentives;

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- (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) Using shares for converting convertible corporate bonds issued by the listed company; or
- (vi) It is necessary for a listed company to protect the corporate value and the rights and interests of shareholders.

A company purchasing its own shares under any of the circumstances set forth in items (i) and (ii) of the preceding paragraph shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (iii), (v) and (vi) of the preceding paragraph may, pursuant to the bylaws or the authorization of the shareholders' 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 its own shares pursuant to the provisions of the first paragraph of this article, a company shall, under the circumstance set forth in item (i), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (ii) or (iv), transfer or cancel them within six months; and while under the circumstance set forth in item (iii), (v) or (vi), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure according to the Securities Law of the PRC (《中華人民共和國證券法》) (the "Securities Law"). A listed company purchasing its own shares under any of the circumstances set forth in items (iii), (v) and (vi) of paragraph 1 of this article shall carry out trading in a public and centralized manner.

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

Transfer of Shares

Shares may be transferred in accordance with relevant laws and regulations. Registered shares shall be transferred by means of endorsement or other means prescribed by laws or administrative regulations; after the transfer, the company shall record the name and domicile of the transferee in the register of shareholders of the company. Within 20 days before the general meeting of shareholders or within 5 days before the record date of dividend distribution determined by the company, the above-mentioned register of shareholders shall not be changed. The transfer of bearer shares shall take effect when the shareholder delivers the shares to the transferee. The shares of the company held by the promoters shall not be transferred within one year from the date of establishment of the company. The directors, supervisors and senior management personnel of the company shall report to the company the shares held by them and their changes, and the shares transferred each year during their term of office shall

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not exceed 25% of the total shares of the company held by them. The above-mentioned personnel shall not transfer their shares of the company within half a year after their resignation. The Articles of Association may make other restrictive provisions on the transfer of shares held by the directors, supervisors and management personnel of the company.

Shareholders

The Company's Articles of Association prescribe the rights and obligations of shareholders and are binding on all shareholders. According to the PRC Company Law and the PRC Guidelines on AoA, shareholders of the Company's ordinary shares are entitled to the following rights:

- (i) to receive dividends and other distributions according to the number of shares held;
- (ii) to attend the general meeting in person or by proxy and exercise the right to vote on the number of shares held;
- (iii) to supervise, forward suggestions on or question the Company's operations;
- (iv) transfer, donate or pledge its shares in accordance with applicable laws and regulations and the company's Articles of Association;
- (v) to inspect the company's Articles of Association, register of shareholders, counterfoil of creditor's rights, minutes of shareholders' meeting, resolutions of the board of directors, resolutions of the supervisory board and financial and accounting reports;
- (vi) to acquire the remaining assets of the company in proportion to its shareholding at the time of termination or liquidation;
- (vii) any shareholder who has a different view on a resolution on the merger or division of the Company made by a shareholders' general meeting has the right to require the Company to acquire its shares; and
- (viii) any other shareholder's rights specified in the laws, regulations and company's Articles of Association.

The obligations of the shareholders include to abide by the Articles of Association of the company, to pay the subscription amount for the subscribed shares, to bear the debts and liabilities of the company to the extent of the subscription amount agreed by the shareholders for the subscribed shares, not to abuse the rights of the shareholders to damage the interests of the company or other shareholders of the company, and not to abuse the independent status and limited liability of the company as a legal person to damage the interests of the creditors of the company, and any other shareholder's obligations under the company's Articles of Association.

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General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

- (i) to decide on the company's operational objectives and investment plans;
- (ii) to elect and replace and to decide on the matters relating to the remuneration of directors and supervisors who are not staff representatives;
- (iii) to review and approve the reports of 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 review and approve on any increase or reduction of the company's registered capital;
- (viii) to review and approve the issue of corporate bonds;
- (ix) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;
- (x) to amend the company's Articles of Association; and
- (xi) to exercise any other authority stipulated in the Articles of Association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

- (i) the number of directors is less than the number stipulated by the PRC Company Law 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;
- (iii) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- (iv) the board deems necessary;

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- (v) the supervisory board proposes to hold; or
- (vi) 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 is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice-chairman. In the event that the vice-chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting 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 share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. A single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

The PRC Company Law has no specific provisions on the quorum of shareholders to attend the general meeting of shareholders.

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.

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Under the PRC Company Law, resolutions of the general meeting shall be passed by more than half of the voting rights held by shareholders (including those represented by the appointed representative), 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 shall be passed by at least two-thirds of the voting rights held by the shareholders (including those represented by the appointed representative).

The shareholders may entrust the entrusted representative to attend the general meeting of shareholders, and the power of attorney shall specify the scope of exercising the voting right.

The PRC Company Law has no specific provisions on the quorum of shareholders.

Board

A company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board may include staff representatives. The term of a director shall be stipulated in the PRC Company Law, provided that no term of office shall last for more than three years.

The board of directors shall meet at least twice a year. The notice of the meeting shall be sent to all directors and supervisors at least ten days before the meeting. The board of directors may prescribe the method and period of notice for convening the interim meeting of the board of directors.

Under the PRC Company Law, the board of directors may exercise its powers:

- (i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;
- (ii) to implement the resolutions passed by the shareholders at the shareholders' general meetings;
- (iii) to decide on the company's operational plans and investment proposals;
- (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 formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

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- (vii) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;
- (viii) to decide on the setup of the company's internal management organs;
- (ix) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;
- (x) to formulate the company's basic management system; and
- (xi) to exercise any other authority stipulated in the Articles of Association.

In addition, the PRC Guidelines on AoA stipulate that the board of directors shall also be responsible for the formulation of the company's amendment plan to the Articles of Association. The meeting of the board of directors can be held only when half of the directors are present. Half of the directors shall approve the resolution of the board of directors. If a director fails to attend a meeting of the board of directors, he may entrust another director to attend the meeting on behalf of him by a power of attorney which specifies the scope of his authority.

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.

Under the PRC Company Law, the following person may not serve as a director in a company:

- (i) a person who is unable or has limited ability to undertake any civil liabilities;
- (ii) a person who has been convicted for corruption, bribery, misappropriation of property or disruption of the order of socialist market economy and a five-year period has not lapsed since expiry of the execution period or a person who has been stripped of political rights for being convicted of a crime and a five-year period has not lapsed since expiry of the execution period;
- (iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

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- (iv) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and
- (v) a person who is liable for a relatively large amount of debts that are overdue; or
- (vi) other circumstances of ineligibility to serve as a director of the company are specified in the PRC Guidelines on AoA (the Articles of Association have been included, and the summary is contained in Appendix V – Summary of the Articles of Association).

The board of directors shall appoint a chairman, who shall be elected with the approval of more than half of all directors. The chairman of the board of directors shall exercise the following functions and powers:

- (i) preside over the General Meeting of shareholders and convene and preside over the meeting of the board of directors; and
- (ii) check the implementation of board resolutions.

According to the PRC Guidelines on AoA, the directors shall bear the responsibility of loyalty and diligence. The loyalty and diligence provisions have been included in the Articles of Association and the summary of which is set out in “Appendix V – Summary of the Articles of Association” for a detailed description of the above responsibilities.

Supervisors and Supervisory Board

A company shall have a supervisory board composed of not less than three members. Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. 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 supervisory board 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. Directors and senior management shall not act concurrently as supervisors.

The supervisory board may exercise its powers under the PRC Company Law:

- (i) to review the company’s financial position;

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- (ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the Articles of Association or resolutions of the shareholders' general meetings;
- (iii) when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;
- (iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;
- (v) to submit proposals to the shareholders' general meetings;
- (vi) to bring actions against directors and senior management personnel; and
- (vii) to exercise any other authority stipulated in the Articles of Association. The above disqualification as a director of the company shall also apply to the supervisor of the company with necessary modifications.

According to the PRC Guidelines on AoA, the supervisors of the company shall comply with laws, administrative regulations and the Articles of Association and bear the responsibility of loyalty and diligence. They shall not take any bribe or other illegal gains by taking advantage of their authority and shall not take illegal possession of the company property.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board 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.

The supervisory board shall meet at least once every six months. The supervisor may propose to hold an extraordinary meeting of the supervisory board. According to the PRC Company Law, the resolution of the supervisory board shall be adopted by more than half of the supervisors. The supervisory board shall make minutes of the meeting on the matters discussed, and the supervisors attending the meeting shall sign and endorse the minutes.

The supervisory board shall appoint a chairman and may appoint a vice-chairman. The chairman and the vice-chairman of the supervisory board shall be elected by more than half of the supervisors. The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice-chairman of the supervisory board shall

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convene and preside over supervisory board meetings. Where the vice-chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over supervisory board meetings.

Manager and Other Senior Management Personnel

“Senior management” refers to the company’s manager, deputy manager, person-in-charge of finance, secretary to the board of directors of the listed company and other personnel specified in the Articles of Association.

The company shall have a manager who shall be appointed or removed by the board of directors. The manager shall be responsible to the board of directors and exercise the following functions and powers:

- (i) to manage the production and 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) attend meetings of the board of directors as non-voting participants; and
- (ix) other powers granted by the board of directors or the company’s Articles of Association.

According to the PRC Guidelines on AoA, other senior management personnel of the company include the deputy managers, the Secretary of the board of directors, the person in charge of finance, and other personnel specified in the Articles of Association of the company. The disqualification of a director of a company shall also apply to the managers and officers of the company. The company’s Articles of Association are binding on the company’s shareholders, directors, supervisors, managers and other management personnel. Such persons

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shall have the right to exercise their respective rights, apply for arbitration and conduct legal proceedings in accordance with the Articles of Association of the company. The requirements of the PRC Guidelines on AoA in relation to the senior management of the company have been included in the Articles of Association (its summary is set out in Appendix V – Summary of the Articles of Association).

According to the PRC Guidelines on AoA, the senior management shall have responsibility of loyalty and shall faithfully perform their respective duties and safeguard the best interests of the company and all the shareholders. The senior management fails to perform his/her duties faithfully or breaches his/her obligation of good faith and causes losses to the company or public shareholders, the senior management shall be liable for compensation.

Duties of Directors, Supervisors and Senior Management Personnel

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the Articles of Association, and carry out their duties of loyalty and diligence. In addition, they are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property. Directors and senior management 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;
- (iii) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the Articles of Association or without approval of the 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 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 general meeting;
- (vi) accept the commission of the transaction between others and the company as his own;
- (vii) unauthorized divulgence of confidential information of the company; and
- (viii) other acts in violation of their duty of loyalty to the company.

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A director, supervisor or senior management who contravenes law, administrative regulation or 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 the general meeting of shareholders requires directors, supervisors or other senior management personnel to attend the meeting as non-voting delegates, the directors, supervisors or other senior management personnel shall attend as non-voting delegates and accept the shareholders' questions. The directors and senior management personnel shall truthfully provide the supervisory board with relevant information and materials, and shall not hinder the supervisory board from exercising its functions and powers.

The company shall not directly or through its subsidiaries provide loans to any director, supervisor or senior management personnel, and shall regularly disclose to the shareholders the remuneration of the director, supervisor or senior management personnel from the company.

Finance and Accounting

The company shall establish financial and accounting systems in accordance with laws, administrative regulations and the provisions of the competent financial department of the State Council, prepare financial reports at the end of each financial year, and review and verify them in accordance with the law.

The financial statements of the company shall be available for inspection by the shareholders of the company at least 20 days before the annual general meeting. A company incorporated by public offering shall publish its financial statements.

The company's accumulation fund includes statutory surplus accumulation fund, discretionary accumulation fund and capital accumulation fund. When the company distributes the annual profit after tax, 10% of the profit after tax shall be allocated to the company's statutory surplus reserve (unless the reserve has reached 50% of the company's registered capital). After the company allocates its profit after tax to the statutory accumulation fund, it may allocate funds to any accumulation fund subject to the resolution of the general meeting of shareholders.

If the company's statutory surplus reserve is insufficient to cover the company's losses of the previous year, the company's profits of the current year shall be used to cover the losses before being distributed to the statutory surplus reserve.

The profit balance of the company after making up the losses and withdrawing the statutory surplus reserve may be distributed to the shareholders in accordance with the shareholding ratio of the shareholders, unless otherwise specified in the Articles of Association of the company limited by shares.

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The company's capital reserve consists of a premium over the par value of the company's shares at the time of issuance and other amounts that are required by the relevant government authorities to be treated as capital reserve.

The company's provident fund can be used for the following purposes:

- (i) indemnify the company's losses, excluding the capital reserve;
- (ii) to expand the business of the company; and
- (iii) if the statutory surplus reserve is converted into the registered capital, the balance of the statutory surplus reserve after conversion shall not be less than 25% of the registered capital of the company before conversion.

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 Retirement of Auditors

According to the PRC Guidelines on AoA, a company shall engage an accounting firm which is qualified with The Securities Law to provide services including the audit of financial statements, the verification of net assets and other relevant consultancy services. The term of engagement is one year and may be extended.

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by 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 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.

If the company dismisses or does not continue to employ auditors, it shall notify the auditors in advance in accordance with the PRC Guidelines on AoA, and the auditors have the right to present their opinions to the general meeting of shareholders.

Profit Distribution

The PRC Company Law require that a company shall not distribute profits before accumulated losses are covered and the statutory common reserve fund is provided.

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Amendments to the Articles of Association

The amendments to Articles of Association of the Company shall be made in accordance with the procedures stipulated in the Articles of Association of the Company. The amendment to articles of association involving matters of company registration must be registered with applicable laws.

Dissolution and Liquidation

Under 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 company's Articles of Association has expired or other events of dissolution specified in the company's Articles of Association have occurred;
- (ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;
- (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 revoked in accordance with the laws; or
- (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.

The company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, it should establish a liquidation committee to administer the liquidation within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting.

If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to establish a liquidation committee.

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The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. The liquidation committee may exercise following powers during the liquidation:

- (i) to sort out the company's property and to prepare a balance sheet and an inventory of property;
- (ii) to notify creditors or publish announcements;
- (iii) to deal with the company's outstanding business related to the liquidation;
- (iv) to pay any unpaid tax;
- (v) to settle the company's claims and liabilities;
- (vi) to handle the company's remaining assets after its debts have been paid off; and
- (vii) to represent the company in any civil procedures.

If the property of the company is sufficient to pay off the debts, it shall be used to pay the liquidation expenses, wages owed to the employees and labor insurance expenses, overdue taxes and debts of the company. The remaining part of the company's property shall be distributed to the shareholders in proportion to shares held by them in the company.

During the liquidation period, the company cannot conduct operating activities that are not related to the liquidation.

If the liquidation committee 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 committee shall hand over all the administration related to liquidation to the people's court.

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

Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation committee are liable to indemnify the Company and its creditors in respect of any loss arising from their willful or material default.

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Loss of Share Certificate

A shareholder may, in accordance with the relevant provisions set out in the Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen or lost, for a declaration that such certificate(s) will no longer be valid. After the declaration that such certificate(s) will no longer be valid, the shareholder may apply to the Company for the issue of a replacement certificate(s).

Merger and Division

The company may be merged by absorption or by the establishment of a new merged entity. If the company adopts absorption merger, the absorbed company shall be dissolved. If the companies merge by forming a new company, both companies shall be dissolved.

A merger agreement shall be signed by merging companies respectively and prepare balance sheets and inventory of property. The companies concerned shall within 10 days of the date of passing the resolution approving the merger notify their creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle debts or provide relevant guarantees. When the company merged, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

When the company divided, the company's property shall be divided and a balance sheet and an inventory of property shall be prepared. The company should notify its creditors within 10 days of the date of making such resolution and publicly announce the division in newspapers within 30 days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies. However, unless otherwise agreement in writing is reached with creditors before the company's division in respect of the settlement of debts.

Securities Laws and Regulations

China has promulgated a number of laws and regulations on share issuance and trading as well as information disclosure. In October 1992, the State Council established the Securities Commission and the China Securities Regulatory Commission. The Securities Commission shall be responsible for coordinating the drafting of relevant laws and regulations on securities, formulating policies on securities matters, planning the development of the securities market, guiding, coordinating and supervising all institutions involved in securities matters in China, and managing the CSRC. The China Securities Regulatory Commission is the regulatory body under the Securities Commission responsible for drafting regulations on the supervision of the securities market, supervising securities companies, supervising the public issuance of securities by Chinese companies in China or abroad, managing securities trading, compiling statistics on securities, and conducting research and analysis. In 1998, the Securities

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Commission of the State Council was abolished by the State Council and its functions were undertaken by the CSRC. The CSRC is also responsible for the regulation and supervision of the national stock and futures markets in accordance with relevant laws, regulations and authorities.

The Securities Law took effect on July 1, 1999 and was latest amended on December 28, 2019 and took effect on March 1, 2020. It was the first national securities law in the PRC, and it is divided into 14 chapters and 226 articles, which including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities. The Securities Law comprehensively regulating activities in the PRC securities market. Article 224 of the Securities Law stipulates that domestic enterprises issuing securities directly or indirectly abroad or listing and trading their securities abroad shall comply with the relevant provisions of the State Council. Article 225 of the Securities Law stipulates that the specific terms for subscription and transaction of shares of companies in the PRC in foreign currencies shall be separately stipulated by the State Council. Currently, the issue and trading of foreign issued securities (including H shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

Overseas Listing

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and five relevant guidelines, which promulgated by the CSRC on February 17, 2023, and came into effect on March 31, 2023, PRC domestic companies shall register their direct and indirect overseas listings and securities offerings with the CSRC by filing materials on key compliance issues.

Suspension and Termination of Listing

All provisions for suspension and termination of listings have been removed from the PRC Company Law. The Securities Law removes the provisions regarding the suspension of listings while stating the following provisions for the termination of listings:

- (i) securities to be listed for trading shall be terminated from listing by the stock exchange in accordance with the business rules where the circumstances leading to the termination of listing as prescribed by such stock exchange occurs;
- (ii) where a termination of listing for securities is determined by the stock exchange, an announcement shall be made in a timely manner and the record shall be filed with the security’s regulatory authorities of the State Council; and
- (iii) in the event of objection to a decision of disapproval or termination of listing made by the stock exchange, an application may be submitted to a review institution established by the stock exchange for review.

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MAJOR 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.

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

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

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) canceling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. The full proceeds of a share issue will be credited to share capital and becomes a company's share capital. The 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).

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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. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, the target investors of H shares offering by domestic companies shall be overseas investors. Where domestic investors subscribe H shares issued by domestic companies, domestic investors shall be compliant with relevant provisions of the cross-border investment, such as qualified domestic institutional investors (QDII), or overseas investment filling (ODI), etc.

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 and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange.

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 PRC Guidelines on AoA contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

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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.

For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company. 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 14 days before the meeting.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting.

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 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.

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.

Derivative Action by Minority Shareholders

The Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

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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 supervisors violates as such, 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 PRC Guidelines on AoA provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority Shareholders to take action against our Directors and Supervisors in default.

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 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 voting rights of all issued shares of 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 them, and no other alternatives can resolve such difficulties.

The PRC Guidelines on AoA, however, contain provisions that Shareholders shall not abuse their rights to harm the interests of the company or other shareholders.

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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 indemnification in respect of directors’ liability and prohibitions against compensation for loss of office without shareholders’ approval.

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 PRC Guidelines on AoA provides that supervisors shall comply with the laws, administrative regulations and the articles of association, bear the duty of loyalty and diligence to the company, and shall not use their authority to accept bribes or other illegal income, nor embezzle company property.

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. Under the PRC Guidelines on AoA, 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 company shall prepare its financial accounting reports in accordance with the PRC GAAP (“**People’s Republic of China Generally Accepted Accounting Principles**”) as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law.

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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, share register, counterfoil of company debentures, resolutions of board meetings, resolutions of the board of supervisors 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.

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.

Mandatory Deductions

Under the PRC Company Law, a company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

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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 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 manager should be responsible 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 law, 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 generally be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the PRC Company Law, share transfers shall not be registered within 30 days prior to convening a shareholders' general meeting or 5 days before the base date of distribution of dividends.