
APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix IV – Taxation and Foreign Exchange" to this document. For discussion of laws and regulations which are relevant to business of the Company, please refer to "Regulatory Overview" in this document.

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") and 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, laws of special administrative regions and international treaties of which the PRC government is the 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.

According to the Constitution and the Legislation Law of the PRC (中華人民共和國立法法), the NPC and its Standing Committee are empowered to exercise the legislative power of the State. The NPC shall develop and amend the basic laws on state authorities, civil matters, criminal matters, and others matters. The Standing Committee of the NPC shall develop and amend laws other than those developed by the NPC; and when the NPC is not in session, partially supplement and amend laws developed by the NPC, provided that the basic principles in such laws are not violated.

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 congress and its standing committee of a province, autonomous region, and municipality directly under the Central Government may, according to the specific circumstances and actual needs of the administrative region, develop local regulations, provided that such regulations do not contravene the Constitution, laws, and administrative regulations.

The people's congress and its standing committee of a districted city may, according to the city's specific circumstances and actual needs, develop local regulations on urban and rural development and administration, environmental protection, and historical culture protection, among others, provided that they do not contravene the Constitution, laws, administrative regulations, and the local regulations of the province or autonomous region where the city is located, unless a law provides otherwise for the development of local regulations by a districted city.

The people's congress of an ethnic autonomous area shall have the power to develop autonomous regulations and separate regulations based on the political, economic, and cultural characteristics of the local ethnicities.

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The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office, and other divisions with administrative functions directly under the State Council may, in accordance with the laws and the administrative regulations, decisions, and orders of the State Council, develop rules within their respective power. The matters prescribed in State Council departmental rules shall be matters for the enforcement of laws or the administrative regulations, decisions, and orders of the State Council. The people's government of a province, an autonomous region, a municipality directly under the Central Government, a districted city, and an autonomous prefecture may develop rules in accordance with laws, administrative regulations, and the local regulations of the province, autonomous region, and municipality directly under the Central Government.

Pursuant to the Resolution of the Standing Committee of the NPC 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) passed 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 Standing Committee of the NPC shall provide interpretations or make stipulations by means of decrees. Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and the competent departments. In cases where the limits of locally enacted rules and regulations need to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of the provinces, autonomous regions, and municipalities directly under the Central Government which have formulated these rules and regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local rules and regulations shall be provided by the competent departments under the people's governments of the provinces, autonomous regions, and municipalities directly under the Central Government.

THE PRC JUDICIAL SYSTEM

Under the Constitution, the Organic Law of the People's Courts of the PRC (中華人民共和國人民法院組織法) and the Organic Law of the People's Procuratorates of the PRC (中華人民共和國人民檢察院組織法), the people's courts of the PRC are classified into the Supreme People's Court, the local people's courts at all levels, and special people's courts. The local people's courts at all levels are divided into three levels, namely, the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court is the highest judicial organ and 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 people's procuratorates of the PRC are classified into the Supreme People's Procuratorate, local people's procuratorates at all levels, and special people's procuratorates such as the military

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procuratorates. The Supreme People's Procuratorate is the highest organ of legal supervision. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and special people's procuratorates, and people's procuratorates at higher levels shall direct the work of people's procuratorates at lower levels.

The people's courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (the "PRC Civil Procedure Law") prescribes the conditions for instituting a civil action, the jurisdiction of the people's court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC 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, and Parties to a contract may, by a written agreement, choose the people's court at the place of domicile of the defendant, at the place where the contract is performed or signed, at the place of domicile of the plaintiff, at the place where the subject matter is located or at any other place actually connected to the dispute to have jurisdiction over the dispute, but the provisions of this Law regarding hierarchical jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual, a person without nationality, a foreign enterprise and a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a people's court. Should a foreign court limit the litigation rights of PRC citizens, the legal person and other organizations, the PRC court may apply the same limitations to the citizens, enterprises and organizations of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a people's court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and

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a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action 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 subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment against such party.

Where a party requests for enforcement of an effective judgment or ruling made by a people's court, but the opposite party or his property is not within the territory of the PRC, the party may directly apply to the foreign court with jurisdiction for recognition and enforcement of the judgment 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 according to the principle of reciprocity, request for recognition and enforcement by the foreign court. Similarly, for an effective judgment or ruling made by a foreign court that requires recognition and enforcement by a people's court of the PRC, a party may directly apply to an intermediate people's court of the PRC with jurisdiction for recognition and enforcement of the judgment or ruling, or the foreign court may, in accordance with the provisions of international treaties to which its country and the PRC are signatories or in which its country is a participant or according to the principle of reciprocity, request for recognition and enforcement by the people's court. If the judgment or ruling violates the basic principles of the laws of the PRC or the sovereignty, security or public interest of the PRC, the people's court shall not grant recognition and enforcement.

THE PRC COMPANY LAW AND THE TRIAL ADMINISTRATIVE MEASURES

The Company Law of the People's Republic of China (the "PRC Company Law") was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The newly revised PRC Company Law has been implemented since October 26, 2018.

On February 17, 2023, CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "Trial Administrative Measures"), which came into effect on March 31, 2023. The Trial Administrative Measures are designated in accordance with the Securities Law and other laws and are applicable to domestic enterprises that issue securities overseas or list their securities overseas for trading. On February 17, 2023, CSRC promulgated the Guidelines for the Application of Regulatory Rules – Overseas Issuance and Listing Category No. 1, stipulating that direct issuance and listing by domestic

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companies shall abide by the relevant provisions of the Trial Administrative Measures and refer to the Guidelines for Articles of Association of Listed Companies and other relevant provisions of CSRC on corporate governance to formulate its articles of association and standardize corporate governance.

Set out below is a summary of the major provisions of the PRC Company Law and the Trial Administrative Measures.

General

A "joint stock limited company" refers to a corporate legal person incorporated in PRC under the Company Law with independent legal person properties and entitlements to such legal person properties. 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. For companies established by promotion, the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

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

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For companies 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. A promoter offering shares to the public must publish a prospectus and prepare a subscription letter. Such promoter shall be underwritten by security companies established under PRC law and underwriting agreements shall be entered into. Such promoter shall also enter into agreements with banks in relation to the receipt of subscription monies. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law 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 inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the deadline stipulated in the prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days after 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's promoter shall assume the following liabilities: (1) the debts and expenses incurred in the incorporation process jointly and severally if the company cannot be incorporated; (2) the 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 (3) the compensation of any damages suffered by the company in the course of its establishment as a result of the promoters' fault.

Share Capital

Shareholders may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation on the value of the assets should be carried out; the assets should be verified; and the value shall not be overestimated or underestimated.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares shall carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same; for 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.

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A company that seek to offer and list securities in overseas markets, are required to fulfill the filing procedure with the CSRC and report relevant information. Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Pursuant to the requirements under the Company Law, a company issuing registered shares shall prepare a register of shareholders which sets forth the following matters: (1) the name and domicile of each shareholder; (2) the number of shares held by each shareholder; (3) the serial numbers of shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

Increase in Share Capital

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

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

Reduction of Share Capital

A company may reduce share capital in accordance with the following procedures prescribed by the Company Law: (1) the company shall prepare balance sheet and inventory of assets; (2) the reduction of registered capital must be approved by shareholders in general meeting; (3) the company shall inform its creditors of the reduction in registered capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed; (4) the creditors of the company shall, within 30 days from the date they receive the written notice, or within 45 days from the date the announcement is made in the case of those who have not received such written notice, have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company; and (5) the company must register with the company registration authority for such alteration.

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Repurchase of Shares

According to the Company Law, a company shall not repurchase its own shares except under any of the following circumstances: (1) reducing the registered capital of the company; (2) merging with another company holding shares of this company; (3) using for employee stock ownership plan or equity incentives; (4) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting; (5) utilizing the shares for conversion of listed corporate bonds which are convertible into shares; and (6) where it is necessary for the listed company to safeguard the value of the company and the interests of its shareholders. The acquisition by a company of its own shares in circumstances as set out in items (1) and (2) above shall be subject to a resolution of the general meeting; the acquisition by a company of its own shares in circumstances as set out in items (3), (5) and (6) above may be approved by way of a resolution at a board meeting with two-third or more of the directors present in accordance with the provisions of the company's articles of association or the authorization of the shareholders' general meeting.

After acquiring its own shares pursuant to the provisions above, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), 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 acquiring its own shares shall perform the obligation of information disclosure in accordance with the Securities Law of the PRC ("**the Securities Law**"). A listed company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) shall carry out trading in a public and centralized manner.

A company shall not accept its own shares as the subject of pledge.

Transfer of Shares

Shares held by shareholders may be transferred legally. Pursuant to 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 after the shareholders endorse the back of the share certificates or in other manner specified by laws and administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

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Pursuant to 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 issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and changes in such shareholdings. The shares transferable by them during each year of their term of office shall not exceed 25 percent of their total shareholdings in the company. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the Company Law, the rights of a shareholder include: (1) to receive a return on assets, participate in significant decision-making and select management personnel; (2) to request the people's court to revoke any resolution passed on a shareholders' general meeting or a meeting of the board of directors that has been convened or whose voting has been conducted in violation of the laws, regulations or the articles of association, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution; (3) to transfer the shares of the shareholders in accordance with the law; (4) to attend or appoint a proxy to attend shareholders' general meetings and exercise the voting rights thereat; (5) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the board of supervisors and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations; (6) to receive dividends in respect of the number of shares held; (7) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and (8) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of a company, which exercises the following powers: (1) to decide on the company's operational policies and investment plans; (2) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors; (3) to consider and approve reports of the board of directors; (4) to consider and approve reports of the board of supervisors; (5) to consider and approve the company's proposed annual financial budget and final accounts; (6) to consider and approve the company's proposals for

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profit distribution and for recovery of losses; (7) to decide on any increase or reduction in the company's registered capital; (8) to decide on the issue of bonds by the company; (9) to decide on issues regarding to merger, division, dissolution, liquidation or change of the form of the company and other matters; (10) to amend the articles of association of the company; and (11) other powers specified in the articles of association of the company.

The shareholders' general meeting shall be held once a year within six months after the end of the previous financial year. An extraordinary shareholders' general meeting shall be held within two months after the occurrence of any of the following circumstances: (1) when the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the company's articles of association; (2) when the losses of the company which are not made up reach one-third of the company's total paid up share capital; (3) when shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an extraordinary general meeting; (4) when deemed necessary by the board of directors; (5) when the board of supervisors proposes convening it; or (6) other matters as required by the company's 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. If the chairman is incapable of performing or 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 not performing his duties, a director nominated by half or more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or 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 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 prior to 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 prior to the meeting. A single shareholder who holds, or several shareholders who jointly hold, more than three percent of the shares of the company may submit an interim proposal in writing to the board of directors within 10 days before the general meeting. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the 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 provide clear agenda and specific matters for a resolution is to be made. A general meeting shall not make any resolution in respect of any matter not set out in the notices. Holders of bearer share certificates who intend to attend a general meeting shall deposit their share certificates with the company during the time from five days before the meeting to the conclusion of the meeting.

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Under the 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.

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, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the shareholder's general meeting, and shareholders may consolidate their votes when casting a vote.

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

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

Board of Directors

A 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 a 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 serve consecutive terms if re-elected after his expiration of term. A 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 duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors' results in the number of directors being less than the quorum.

Under the Company Law, the board of directors shall be responsible for the shareholders' general meeting and exercises the following powers: (1) to convene the shareholders' general meeting and report on its work to the shareholders' general meetings; (2) to implement the resolution of the shareholders' general meeting; (3) to decide on a company's operational plans

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and investment proposals; (4) to formulate the company's proposed annual financial budget and final accounts; (5) to formulate the company's proposals for profit distribution and for recovery of losses; (6) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds; (7) to prepare plans for the merger, division, dissolution or change of the form of a company; (8) to decide on the company's internal management structure; (9) to decide to appoint or dismiss the company's manager, and based on the manager's recommendation, to decide to appoint or dismiss deputy manager and financial officers of a company and to decide on their remuneration; (10) to formulate a company's basic management system; and (11) any other power given under the articles of association.

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

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

The board of directors shall keep minutes of resolutions passed at board meetings. The minutes shall be signed by the directors present at the meeting. 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, the company's articles of association or resolutions of the general meeting 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 proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

According to the provisions of the Company Law, the following persons shall not serve as a director of a company: (1) persons without civil capacity or with restricted civil capacity; (2) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the socialist market economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation; (3) persons who are former directors, factory managers or managers of a

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company or enterprise which has become bankrupt and been liquidated and who are personally liable for the bankruptcy 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; (4) persons who were legal representatives of a company or enterprise which had its business license revoked or business operation shut down due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license; and (5) persons who have a relatively large amount of debt due and outstanding. Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Pursuant to the 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 board meetings and review the implementation of Board resolutions. The vice chairman shall assist the chairman to perform his/her duties.

Supervisory Board

A company shall have a supervisory board composed of not less than three members. 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, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise.

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

The chairman of the supervisory board shall convene and preside over supervisory board meetings; where the chairman of the supervisory board is unable or fails to perform his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings; where the vice chairman of the supervisory board is unable or fails to perform his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over the meetings of the supervisory board.

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Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with 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 supervisor results in the number of supervisors being less than the quorum.

The supervisory board shall exercise the following powers: (1) to examine the company's financial affairs; (2) to supervise the directors and senior management in their performance of duties and to propose the removal of any director or senior management who violates the laws, administrative regulations, articles of association or the resolutions of the shareholders' general meeting; (3) to require any director or senior management whose act is detrimental to the company's interests to rectify such act; (4) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding general meetings, to convene and preside over general meetings; (5) to propose any bills to shareholders' general meetings; (6) to bring proceedings against any directors or senior management personnel in accordance with the relevant provisions of the Company Law; and (7) other powers specified in the articles of association.

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.

Managers and Other Senior Management

Pursuant to the relevant provisions of the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. Meanwhile, pursuant to the relevant provisions of the Guidelines for Articles of Association of Listed Companies, the manager shall be accountable to the Board of Directors and exercise the following powers: (1) taking charge of the management of the production and business operations of the company, organizing the implementation of resolutions of the board of directors; (2) organizing the implementation of the company's annual business and investment plans; (3) drafting plans for the establishment of the company's internal management structure; (4) drafting the basic administration system of the company; (5) formulating the company's basic regulations and rules; (6) proposing to hire or dismiss the company's vice manager(s) and the person in charge of finance; (7) deciding on the hiring or dismissal of the persons-in-charge other than those who shall be decided by the board of directors; and (8) other powers conferred by the articles of association and the board of directors.

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

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

Duties of Directors, Supervisors and Senior Management

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

Meanwhile, directors and senior management are prohibited from: (1) misappropriation of company funds; (2) deposit of company funds into accounts under their own name or the name of other individuals; (3) loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors; (4) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting; (5) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting; (6) accepting for their own benefit commissions from other parties dealing with the company; (7) unauthorized divulgence of confidential information of the company; or (8) other acts in violation of their duty of loyalty to the company. Income generated by directors or senior management in violation of aforementioned regulations shall be returned to the company.

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 personally liable to the company.

Where the attendance of a director, supervisor, or senior management is requested by the shareholders' general meeting, such director, supervisor, or other senior management shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior management shall furnish with all truthfulness facts and information to the supervisory board without obstructing the discharge of duties by the supervisory board.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisor violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of

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directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving the abovementioned written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

Pursuant to the Guidelines for the Articles of Association of Listed Companies, senior management personnel of a company shall faithfully perform their duties and safeguard the best interests of the company and all its shareholders. Senior management of a company shall be liable for compensation in accordance with the law if they fail to faithfully perform their duties or breach their duty of good faith and cause damage to the interests of the company and holders of public shares.

Finance and Accounting

According to the Company Law, a company shall establish its own financial and accounting systems in accordance with laws, administrative regulations and the provisions of the financial department in charge under the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual shareholders' general meeting. A company incorporated by public subscription must publish its financial statements.

When distributing current year's after-tax profits, the company shall set aside 10% of its profits for the company's statutory common reserve, except where the reserve has reached 50% of the company's registered capital. When the company's statutory common reserve is not sufficient to make up for the company's losses of the previous years, current year profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve. After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the shareholders' meeting or shareholders' general meeting, the company may make an allocation to a discretionary common reserve from its after-tax profits. After the company has made up for its losses and make allocations to its statutory common reserve, the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

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Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium of a company from the issuance of stocks at a price above the par value of the stocks, and other incomes listed in the capital reserve under provisions of the treasury department of the State Council shall be listed as the company's capital reserve. The company's common reserves shall be used for making up losses, expanding the production and business scale or increasing the capital of the company, but the capital common reserve shall not be used for making up the company's losses. When the statutory common reserve is changed to capital, the remainder of the common reserve shall not be less than 25% of the registered capital prior to the increase.

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

Appointment and Retirement of Accounting Firm

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

Pursuant to the Guidelines for the Articles of Association of Listed Companies, the company engages an accounting firm that complies with the provisions of the Securities Law to carry out audit of accounting statements, verification of net assets and other related advisory services for a period of one year, which is renewable.

Profit Distribution

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

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Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by more than two-thirds of the votes held by shareholders attending the meeting. According to the Guidelines for the Articles of Association of Listed Companies, if the amendments to the articles of association approved by the resolution of the general meeting of shareholders are subject to approval by the competent authority, they must be reported to the competent authority for approval; if they involve company registration matters, the modification registration shall be handled according to law. Where the amendments to the articles of association belong to information required to be disclosed by laws and regulations, such amendments shall be announced in accordance with the regulations.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved in any of the following events: (1) the term of its operation set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred; (2) the shareholders have resolved at a shareholders' general meeting to dissolve the company; (3) the company is dissolved by reason of its merger or division; (4) 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; or (5) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all 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 paragraph (1) 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 paragraph (1), (2), (4) or (5) above, it should establish a liquidation committee 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 appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise the following powers during the liquidation period: (1) to handle the company's assets and to prepare the balance sheet and inventory of assets; (2) to notify creditors through notice or issue public announcement; (3) to deal with the outstanding business related to the liquidation; (4) to pay any tax overdue as well as tax expenses arising from the liquidation process; (5) to settle the company's claims and liabilities; (6) to handle the company's remaining assets after its debts have been paid off; and (7) to represent the company in civil lawsuits.

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The liquidation committee shall notify the creditors within 10 days of its establishment and publish an announcement on 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. A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, 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 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 the administration of the 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 the people's court for verification, and to the company registration authority for the cancellation of company registration, and an announcement of its termination shall be published. Members of the liquidation committee shall be faithful in the discharge of their duties and shall perform their liquidation duties in compliance with laws. Members of the liquidation committee 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 committee who have caused the company or its creditors to suffer from any loss due to intentional fault or gross negligence, should be liable for making compensations to the company or its creditors.

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

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Overseas Listing

According to the Trial Administrative Measures, overseas listing of a company shall be filed with CSRC. Where an issuer conducts an overseas initial public offering or listing, it shall file with CSRC within 3 working days after submitting the issuance and listing application documents overseas. The remittance and cross-border flow of funds related to overseas issuance and listing of domestic enterprises shall comply with national regulations on cross-border investment and financing, foreign exchange management and cross-border RMB management.

Loss of Share Certificates

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).

Merger and Division

According to the Company Law, in the event of merger, the parties to the merger shall enter into a merger agreement and prepare balance sheet and inventory of assets. The companies shall, within ten days as of making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper within thirty days. The creditors may, within thirty days as of the receipt of the notice or within forty-five days as of the issuance of the public announcement if it fails to receive a notice, require the company to clear off its debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the parties involved shall be succeeded by the company that survives the merger or by the newly established company.

In a division, the asset of the company shall be split in an appropriate manner. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

Where the merger or division of the company involves changes in its registered particulars, such changes shall be filed with competent company registration authorities pursuant to the law. Where the company is dissolved, the company shall apply for cancellation of its registration in accordance with the laws. Where a new company is established, the company shall apply for registration of incorporation in accordance with the laws.

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THE SECURITY LAWS AND REGULATIONS AND REGULATORY REGIMES

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 CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and CSRC and reformed CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (股票發行與交易管理暫行條例) governing the application and approval procedures for public offerings of shares, issuing of and trading of shares, takeovers by listed companies, deposit, clearing and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On December 25, 1995, the State Council promulgated the Provisions of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The PRC Securities Law (中華人民共和國證券法) (the "Securities Law") took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The latest Securities Law came into force on March 1, 2020. It was the first national securities law in the PRC, and is divided into 14 chapters and 226 articles comprehensively regulating activities in the PRC securities market, including the issue and trading of securities, takeovers by listed companies and the duties and responsibilities of the securities exchanges, securities companies, securities clearing institutions and securities regulatory authorities. Article 224 of the PRC Securities Law provides that domestic enterprises shall satisfy the relevant requirements of the State Council when it issues shares or lists shares outside the PRC directly or indirectly. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

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ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (2017 Revised) (中華人民共和國仲裁法(2017修正)) (the "PRC Arbitration Law") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and the latest version was amended on September 1, 2017. It is applicable to contract disputes and other property disputes where the parties have entered into a written agreement to refer the matter to arbitrate before an arbitration committee constituted in accordance with the PRC Arbitration Law. An arbitration committee may, before the promulgation of arbitration rules by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have reached the arbitration agreement, 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.

The Hong Kong Listing Rules requires an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Hong Kong Listing Rules, also in contracts between the company and each of the director and supervisor, to the effect that whenever any disputes or claims arises from any right or obligation provided in the articles of association, the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company between (1) holders of H Shares and the Company; (2) holders of H Shares and holders of domestic shares; or (3) holders of H Shares and the Company's directors, supervisors or other management personnel, such disputes or claims shall be referred to arbitration.

Each of the relevant parties may elect to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

Pursuant to the Arbitration Law and the PRC Civil Procedure Law, a system of a single and final award shall be practiced for arbitration. The arbitration commission shall not accept any application for arbitration, nor shall a people's court accept any action submitted by the party in respect of the same dispute after an arbitral award has already been given in relation to that matter. If any party fails to comply with the arbitral awards, the other party to the award may apply to a people's court for its enforcement. However, a people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

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If a party applies for enforcement of a legally effective arbitration award made by a foreign-related arbitration commission and if the party against whom the enforcement is sought or such party's property is not within the territory of the PRC, he shall directly apply to a competent foreign court for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded 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) (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their rights to refuse recognition and enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (1) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity; and (2) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

In June 1999, an arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of the PRC was reached. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. This arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, the awards made by PRC arbitral bodies pursuant to the Arbitration Law can be enforced in Hong Kong and the Hong Kong arbitral awards made pursuant to the Hong Kong Arbitration Ordinance can also be enforced in the Mainland. Where a court of Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against social public interests of the Mainland, the awards may not be enforced.