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SUMMARY OF PRINCIPAL PRC AND HONG KONG LAWS AND REGULATORY PROVISIONS

PRC LEGAL SYSTEM

The PRC legal system is based on the *Constitution of the PRC* (《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 departments of the State Council, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts may be used as judicial reference and guidance. However, they do not constitute binding precedents.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the “**Legislation Law**”), National People’s Congress (the “**NPC**”) and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of 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 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, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congress of the National Autonomous Region has the power to formulate autonomous regulations and separate regulations in accordance with the political, economic and cultural characteristics of the local ethnic groups, and make flexible provisions on the provisions of laws and administrative regulations, but shall not violate the basic principles of laws or administrative regulations, and shall not make flexible provisions on the provisions of the Constitution and the law of regional ethnic autonomy, as well as other relevant laws and administrative regulations on ethnic autonomy.

The ministries and commissions of the State Council, the People’s Bank of China, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules. The people’s governments of the provinces, autonomous regions, and municipalities directly under the central government, cities divided into districts and autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

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

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee, but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people’s congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the

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Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people’s congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of local people’s congresses have the power to annul inappropriate rules enacted by the people’s governments at the corresponding level. The people’s governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people’s governments at a lower level.

According to the Constitution, the power to interpret laws is invested in the SCNPC. According to the Decision of the Committee of the NPC 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》), if the scope prescribed by laws or decrees needs to be further defined or supplementary provisions need to be made, the SCNPC shall interpret them or make provisions by means of decrees. Issues involving the specific application of laws and decrees in the trial work of the court shall be interpreted by the Supreme People’s Court. Issues involving the specific application of laws and decrees in the procuratorial work of the procuratorate shall be interpreted by the Supreme People’s Procuratorate. If there are principled differences in the interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate, they shall be submitted to the SCNPC for interpretation or decision. Issues that do not involve the specific application of laws and decrees in judicial and procuratorial work shall be interpreted by the State Council and the competent departments. If the scope of local laws and regulations needs to be further defined or supplemented, the standing committee of the people’s congress of each province, autonomous region and municipality directly under the central government that promulgates such laws and regulations shall interpret or make provisions. Issues involving the specific application of local laws and regulations shall be interpreted by the competent departments of the people’s governments of the provinces, autonomous regions and municipalities directly under the central government.

PRC JUDICIAL SYSTEM

According to the Constitution and the Organic Law of the People’s Court of the People’s Republic of China (《中華人民共和國人民法院組織法》), the people’s court is composed of the Supreme People’s Court, the local people’s courts at all levels and the special people’s courts.

Local people’s courts at all levels are composed of primary people’s courts, intermediate people’s courts and higher people’s courts. The primary people’s courts may set up civil, criminal and economic tribunals. The intermediate people’s court has similar structure with the primary people’s court, and can set up other tribunals, such as intellectual property tribunal when necessary. Special people’s courts include military courts, maritime courts, intellectual property courts, financial courts and other special courts.

The higher level of people’s court supervises the trial work of the people’s court at a lower level. The people’s procuratorate also has the right to exercise legal supervision over the proceedings of the people’s court at the same level or at a lower level. The Supreme People’s Court is the highest judicial organ in China and supervises the trial work of local people’s courts at all levels and special people’s courts. In accordance with the Criminal Procedure Law of the PRC (《中華人民共和國刑事訴訟法》) (the “**Criminal Procedure Law**”) and the Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the “**Civil Procedure Law**”), the people’s courts apply a two-tier appellate system. Before a judgment or ruling of first instance has legal effect, the parties may appeal to the people’s court at the next higher level. A judgment or ruling of second instance made by a higher court shall be final and binding. The first instance judgment or ruling of the Supreme People’s Court is also final. However, if the Supreme People’s Court or the people’s court at a higher level finds an error in the effective judgment, ruling or conciliation statement made by the people’s court at a lower level, it shall have the right to bring the case up for trial or order the people’s court at a lower level to hold the case. If the president of a people’s court at any level finds that there is an error in the effective judgment, written order or conciliation statement made by his court and considers that a retrial is necessary, he shall submit it to the judicial committee for discussion and decision.

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The Civil Procedure Law contains provisions on the jurisdiction of the people’s court, the procedures to be followed in conducting civil proceedings and the procedures for the enforcement of civil judgments or rulings. All parties to a civil action in China shall abide by the civil procedure law. Generally speaking, civil cases are heard by the local court where the defendant lives. The parties to the contract may also choose the court of jurisdiction to file a civil action by express agreement, but the court of jurisdiction shall be the place where the dispute is actually related, such as the place where the plaintiff or the defendant lives, the place where the contract is signed or performed, or the place where the subject matter of the action is located, etc. However, in any case, the above selection shall not violate the provisions of the Civil Procedure Law on level jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization that institute or respond to proceedings in a people’s court is given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens and enterprises, the PRC court shall apply the same limitations to the citizens and enterprises of such foreign country.

If any party to a civil action refuses to comply with the effective judgment, ruling, conciliation statement and other legal documents to be executed by the people’s court or an award made by the arbitration tribunal in the PRC, the other party may apply to the people’s court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

A party seeking to enforce a judgment or ruling of a people’s court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people’s court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court’s examination according to the principle of reciprocity, unless the people’s court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE PRC COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND THE GUIDELINES FOR ARTICLES OF ASSOCIATION

The PRC Company Law (中國公司法) was passed by the SCNPC 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 revised Company Law came into effect on October 26, 2018.

The Overseas Listing Trial Measures which were promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023, and were applicable to the overseas offering and listing of PRC domestic companies’ securities.

The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “Guidelines for Articles of Association”) which were issued by the CSRC on December 16, 1997, latest revised on January 5, 2022 and came into effect on the same date, providing the guidelines for the Articles of Association.

Set out below is a summary of the major provisions of the Company Law, the Overseas Listing Trial Measures and the Guidelines for Articles of Association applicable to the Company.

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General Provisions

A joint stock limited company is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by a minimum of two but no more than 200 promoters, and at least half of the promoters must be residents within the PRC. Companies incorporated by promotion are companies of which the entire registered capital is subscribed for by the promoters. Shares in the company shall not be offered to others unless the registered capital has been fully paid up. For companies incorporated by subscription, the registered capital is the total paid-up capital as registered with the relevant 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 way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed 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 incorporation by filing the articles of association with the company registration authority, and other documents as required by the law or administrative regulations.

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 for by laws or administrative regulations. A promoter who offers shares to the public must publish a prospectus and prepare a share subscription form to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC law, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies, and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities. 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 report thereon. The promoters shall convene an inauguration meeting within 30 days following 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 cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days after the subscription monies for the shares issued have been 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 of the

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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 status of a legal person after approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A company’s promoters shall be liable for:

- the debts and expenses incurred in the incorporation process jointly and severally if the company cannot be incorporated;
- 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
- the compensation of any damages suffered by the company in the course of its incorporation as a result of the promoters’ default.

Share Capital

The promoters of a company may make capital contributions in cash, or in kind that can be valued in currency and transferable according to laws such as intellectual property rights or land-use rights based on their appraised value.

There is no limit under the PRC Company Law as to the percentage of shares held by an individual shareholder in a company. If capital contribution is made other than in cash by the promoters of the company, valuation and verification of the properties contributed must be carried out and converted into shares. A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. The share price may be equal to or in excess of par value, but shall not be less than par value. The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council.

Increase of Share Capital

Pursuant to the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Except for above-mentioned conditions of obtaining approval at the general meeting required by the PRC Company Law, the Securities Law of the People’s Republic of China (《中華人民共和國證券法》) (the “**Securities Law**”) requires the following conditions for a company to issue new shares to the public initially: (i) have a sound, well-operated corporate governance structure; (ii) possess the capacity for on-going operation; (iii) be issued an audit report with unqualified opinions for the financial and accounting report for the latest three years; (iv) the issuer and its controlling shareholder and actual controller have not committed any crimes of corruption, bribery, embezzlement of property, misappropriation of property or disruption of the socialist market economic order in the latest three years; and (v) meet other requirements specified by the securities regulatory authority.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures stipulated by the PRC Company Law:

- the company shall prepare a balance sheet and a list of properties;
- the reduction of registered capital must be approved by shareholders in the general meeting;
- the company shall inform its creditors of the reduction of capital within ten days, and publish an announcement in respect of the reduction in newspapers within thirty days upon passing of the resolution approving the reduction of capital;

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- creditors of the company may require the company to settle its debts or provide corresponding guarantees within the statutory time limit; and
- the company must apply to the relevant administrative bureau for market regulation for registration of the reduction of registered capital.

Repurchase of Shares

A company shall not purchase its own shares other than for the following purposes:

- reducing its registered capital;
- merging with other company which holds its shares;
- using shares for employees stock ownership plan or equity incentives;
- acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or division;
- using shares for converting convertible corporate bonds issued by the listed company; and
- for the purpose of protecting the corporate value and the rights and interests of shareholders of a listed company when necessary.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) 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 (3), (5) and (6) may, pursuant to its articles of association 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 in accordance with these requirements, 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 purchasing its own shares shall perform the obligation of information disclosure and under any of the circumstances set forth in items (3), (5) and (6) shall carry out trading in a public and centralized manner.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder shall transfer his/her shares in stock exchanges established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement of the shareholders or in any other manner specified in applicable laws and regulations. Bearer shares are transferred by delivering the shares to relevant transferees. Unless otherwise stipulated by laws, no modifications of registration in the share register caused by transfer of shares shall be made within twenty days prior to convening a shareholders' general meeting or five days prior to any record date for determination of dividend distributions. Shares of a company held by its promoter(s) shall not be transferred within one year from the date of incorporation of such company. Shares in issue prior to the company's public offering of shares shall not be transferred within one year from the [REDACTED] of its shares on the stock exchange.

Directors, supervisors and senior management of a company shall not transfer over 25% of the total shares held by them in the company each year during their term of office, and shall not transfer the shares held by them in the company within one year from the [REDACTED] of the shares. Such persons shall also not transfer the shares held by them in the company within half a year after they leave office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

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Shareholders

The company's articles of association set forth the rights and duties of its shareholders, which are binding on all shareholders. Pursuant to the PRC Company Law and the Guidelines for Articles of Association, the rights of shareholders include:

- the right to attend shareholders' general meetings in person or by proxy and to vote in respect of the number of shares held;
- the right to transfer their shares in accordance with the applicable laws, regulations and the company's articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of board meetings, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's business operations;
- where a resolution passed by shareholders' general meetings or the board of directors violates the articles of association or infringe the lawful rights and interests of shareholders, the right to institute an action in a people's court demanding the cessation of such unlawful infringement;
- the right to receive dividends based on the number of shares held; and
- any other rights of shareholders specified in the company's 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 the company, which exercises its powers in accordance with the PRC Company Law. The shareholders' general meeting exercises the following powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors who are not representatives of the employees;
- to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or supervisors;
- to review and approve annual financial budget and final accounts proposed by the company;
- to review and approve the company's proposals on profit distribution and recovery of loss;
- to decide on any increase or reduction of the registered capital of the company;
- to decide on the company's issuance of bonds;
- to decide on merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as specified in the articles of association.

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Annual general meetings shall be held once a year. An extraordinary general meeting shall be held within two months after the occurrence of any of the following circumstances:

- 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;
- the losses of the company which are not recovered reach one-third of the company's total paid up share capital;
- as requested by the shareholder alone or in aggregate holding 10% or more of the shares of the company; when deemed necessary by the board of directors;
- when proposed by the board of supervisors; or
- other circumstances as specified in the articles of associations.

Shareholders' general meetings shall be convened by the board of directors and presided over by the chairman of the board of directors.

The notice to convene an annual general meeting and an extraordinary general meeting shall be given 20 days and 15 days, respectively, before the date of such meeting pursuant to the PRC Company Law. 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.

There is no specific provisions in the PRC Company Law regarding the number of shareholders constituting a quorum in a general meeting. Shareholders alone or in aggregate holding more than 3% of the shares of the company may put forth interim proposals and submit the same in writing to the board of directors 10 days before a general meeting. The board of directors shall notify other shareholders within 2 days after receiving such proposals, and submit the interim proposals to the general meeting for review and approval. The contents of the interim proposal shall be within the scope of the functions and powers of the general meeting of shareholders, with clear topics and specific matters for resolutions. The general meeting shall not make any resolution on any matter not listed in the notice. Where holders of bearer shares intend to attend the general meeting of shareholders, they shall deposit their share certificates with the company for a period beginning from five days prior to the convening of the meeting to the end of the meeting.

Pursuant to the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that 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 general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the PRC Company Law, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

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Board of Directors

A company shall have a board of directors, which shall consist of 5 to 19 members. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms by re-election upon the expiry of term.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. As for extraordinary meetings convened by the board of directors, the way of giving notice and the notice period may be otherwise determined.

Under the PRC Company Law, the board of directors exercises the following functions and powers:

- to convene the shareholders' meeting and report on its work to the shareholders;
- to implement the resolution of the shareholders' meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate plans for the merger, division, dissolution or change in the form of the company;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager, and based on the general manager's nomination, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

Interim board meetings may be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within ten days of receiving such proposal, and preside over the meeting. Meetings of the board of directors could 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. If a director is unable to attend a board meeting, he/she may appoint another director by a written power of attorney specifying the scope of the authorization for another director to attend the meeting on his/her behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association 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.

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Under the PRC Company Law, the following persons may not act as a director of a company:

- persons without capacity or restricted capacity to undertake civil liabilities;
- persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the order of socialist market economy, 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 of this deprivation;
- persons who have been former directors, factory managers or general managers of a company or an enterprise that has been bankrupt and has been liquidated, and those persons 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;
- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license;
- persons who have a relatively large amount of debt due and outstanding.

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to):

- to preside over general meetings and convene and preside over meetings of the board of directors; and
- to check on the implementation of the resolutions of the board of directors.

According to the PRC Company Law, the legal representative of a company may be the chairman, any executive director (if the limited liability company does not have a board of directors) or the general manager.

The PRC Company Law provide that a company's directors, supervisors, general managers and other senior management shall bear fiduciary duties and the obligation to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions and power for their own benefit.

Board of Supervisors

A company shall have a board of supervisors composed of not less than three members. The term of office of a supervisor shall be three years, and the supervisors may hold consecutive terms by re-election. The board of supervisors is made up of shareholders' representatives and an appropriate proportion of the company's staff representatives, which shall be no less than one-third. Directors and senior management shall not act as supervisors.

The board of supervisors exercises the following functions and powers:

- check the financial affairs of the company;
- supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior management who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' meeting;
- require the director or senior management to make corrections if his/her act is detrimental to the interest of the company;

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- propose the convening of interim shareholders’ general meetings, and to convene and preside over shareholders’ general meetings when the board of directors fails to exercise the function of convening and presiding over shareholders’ general meetings as prescribed by the PRC Company Law;
- put forward proposals at shareholders’ general meetings;
- initiate actions against directors or senior management as prescribed by the PRC Company Law; and
- other functions and duties as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director described above apply mutatis mutandis to supervisors of a company.

General Manager and Other Senior Managements

“Senior management” refers to the general manager, vice manager, person in charge of finance, and the secretary of the board of directors of a listed company as well as any other person as stipulated in the articles of association. A company shall have a manager who shall be appointed or removed by the board of directors. The general manager is accountable to the board of directors and may exercise the following powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- arrange for the implementation of the company’s annual business and investment plans;
- formulate plans for the establishment of the company’s internal management structure;
- formulate the basic administration system of the company;
- formulate the company’s specific rules;
- recommend the appointment and dismissal of deputy general managers and person in charge of finance;
- decide to appoint or dismiss other management personnel (other than those required to be appointed or dismissed by the board of directors);
- attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company’s articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to general manager and other senior management of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, general manager and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration or initiate legal proceedings according to the articles of association of the company.

Duties of Directors, Supervisors and Senior Managers

Directors, supervisors, general manager and other senior management of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the company’s articles of association, carry out their duties honestly and protect the interests of the company. Each director, supervisor, general manager and senior officer of a company is also under a duty of fidelity to the company and is prohibited from divulging secret information of the company unless permitted by the relevant laws and regulations or by the shareholders.

Any director, supervisor, general manager and other senior management who contravenes any laws, regulations or the company’s articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

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Finance and Accounting

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the MOF.

At the end of each financial year, a company shall prepare a financial report, which shall be audited and verified according to laws.

A company shall make available its financial statements for the inspection by the shareholders at least 20 days before the convening of the annual shareholders’ general meeting. A company with public issuance of shares must publish its financial statements to the public.

When distributing each year’s after-tax profits, the company shall set aside 10% of its after-tax profits for the company’s statutory common reserve (except where such reserve has reached 50% of the company’s registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders or the general meeting, the company may make an allocation to a discretionary common reserve from the after-tax profits. If the company’s statutory common reserve is not enough to make up for the losses of the company for the previous year, the current year’s profits shall first be used for making up the losses before the statutory common reserve is set aside according to the method mentioned hereof.

After the losses have been made up and surplus reserves have been set aside, the remaining after-tax profits shall be distributed to shareholders in proportion to the number of shares held by shareholders as in the case of a company, except as otherwise provided in the articles of association. The capital common reserve of a company is made up of the premium from the issuance of shares generated by the gap between the issuance price and the nominal value of the shares of the company, and other amounts required by the MOF to be allocated to the capital common reserve. The company’s common reserves shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company, but the capital common reserve shall not be used for making up the company’s losses. Where the statutory common reserve is converted into registered capital, the balance of the statutory common reserve shall not be less than 25% of the registered capital before such conversion.

Appointment and Dismissal of Accounting Auditors

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders’ general meeting or board of directors in accordance with the articles of association. The accounting firm is to be appointed for a term commencing from the conclusion of an annual general meeting and ending at the conclusion of the next annual general meeting. The accounting firm should be allowed to make representations when the shareholders’ general meeting conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm which it employs without any refusal, withholding and misrepresentation.

Distribution of Profits

According to the Guide to the Program for “Full Circulation” of H shares promulgated by CSDC on February 7, 2020, cash dividends to domestic investors of H-share “full circulation” shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

Amendments to the Articles of Association

Any amendments to the company’s articles of association must be made in accordance with the procedures set forth in the company’s articles of association. In relation to matters involving the company’s registration, its changes in registration shall be applied with the company registry.

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Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved in any of the following events:

- the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;
- the shareholders' general meeting have resolved to dissolve the company;
- the company is dissolved by reason of its merger or demerger;
- the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or
- in the event that the company encounters substantial difficulties in its operation and management, and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (1), (2), (4) and (5) above, a liquidation committee must be formed within 15 days after the occurrence of origin incident of dissolution. Members of the liquidation committee shall be appointed by directors or shareholders' general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment. Liquidation committee shall be notified to the creditors within 10 days of its formulation and shall be publicized in the newspapers within 60 days of its formulation as well. A creditor shall lodge its claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if it has not received such notification.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- to take stock of the company's assets and to prepare a balance sheet and a property list;
- to notify creditors or issue public notices to such creditors;
- to deal with any outstanding business of the company related to the liquidation;
- to pay any tax overdue and those arising from the liquidation process;
- to settle the company's financial claims and liabilities;
- to handle the residual property of the company after paying off its debts; and
- to represent the company in civil lawsuits.

Company's assets shall be applied towards the payment of the liquidation expenses, wages owed to the employees, social insurance expenses and legal reimbursement, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them. During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation. If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it shall immediately apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or people's court for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation committee are required to discharge their duties honestly and perform their obligation according to laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

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“Full Circulation” of H Shares

Shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for “full circulation”. To file an application for “Full Circulation”, an H-share listed company shall file the application with the CSRC according to the procedures for the “examination and approval of public offering and [REDACTED] (including additional issuance) of shares overseas by a joint stock company”.

An H-share [REDACTED] company may apply for “Full Circulation” separately or when applying for refinancing abroad. An unlisted domestic joint stock company may apply for “full circulation” when applying for an overseas [REDACTED].

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved. Where there is a demerger of a company, its assets shall be divided up accordingly and a balance sheet and a property list shall be prepared. The company shall notify its creditors within ten days of the date of the company’s demerger resolution and shall publish an announcement in a newspaper within thirty days of the date of the company’s demerger resolution. Debts of the company prior to demerger shall be assumed by the companies which exist after the division on a joint and several basis, except to the extent that prior to demerger, the company has otherwise reached a written agreement with its creditors in respect of the settlement of debts.

SECURITIES LAW AND OTHER RELEVANT REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC.

The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating offers 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 1998, the State Council consolidated the two departments and the CSRC has since taken over the original functions of the Securities Commission.

On December 25, 1995, the State Council promulgated and implemented the Regulations 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 deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The Securities Law came into force on July 1, 1999, and was recently revised on December 28, 2019. This law is the first national securities law in China, which is divided into 14 chapters and 226 articles, regulating (including) the issuance and trading of securities, the acquisition of listed companies, stock exchanges, securities companies and the duties and responsibilities of the securities regulatory authority under the State Council. The Securities Law comprehensively

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regulates the activities of China’s securities market. Article 224 of the Securities Law stipulates that a domestic enterprise shall comply with the relevant provisions of the State Council in issuing securities or [REDACTED] its securities abroad directly or indirectly. Article 225 of the Securities Law stipulates that the specific measures for subscription and trading of shares of domestic companies in foreign currencies shall be separately formulated by the State Council. At present, the shares (including H shares) issued and traded abroad are still subject to the rules and regulations promulgated by the State Council and the CSRC.

Overseas [REDACTED]

The Overseas Listing Trial Measures stipulates that domestic company listed oversea must file with the CSRC, submit filing reports, legal opinions and other related materials, and truthfully, accurately and completely explain shareholder information. If the issuer publicly issues or lists securities oversea, it shall file with the CSRC within 3 working days after submitting the application documents for issuance and [REDACTED] overseas; if the issuer issues securities in the same oversea market after being listed oversea, it shall file with the CSRC within 3 working days after completion of issuance.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People’s Republic of China (《中華人民共和國仲裁法》) (the “**Arbitration Law**”) passed by the SCNPC on August 31, 1994, became effective on September 1, 1995 and was recently amended on September 1, 2017. It is applicable to contract disputes and other property disputes between natural person, legal person and other organizations, and the parties have entered into a written agreement to refer the matter to arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people’s court will refuse to handle the case.

The Listing Rules require an arbitration clause to be included in contracts between the company and each of its directors and supervisors, to the effect that any disputes or claims arising among the following parties will be referred to arbitration including between holders of H shares and the company, between holders of H Shares and the directors, supervisors, manager or other senior management of the company, and between holders of H shares and holders of Domestic Shares, with respect to any disputes or claims in relation to the companies affairs or as a result of rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations. Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic or Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Center in accordance with the Securities Arbitration Rules. Once a claimant refers to a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and Civil Procedure Law, an arbitral award is final and binding on the parties.

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SUMMARY OF MAJOR DIFFERENCES BETWEEN THE HONG KONG AND PRC COMPANY LAWS

The Laws of Hong Kong applicable to companies incorporated in Hong Kong are mainly Companies Ordinance (《公司條例》), Companies (Winding Up and Miscellaneous Provisions) Ordinance (《公司(清盤及雜項條文)條例》) and other Hong Kong Legislation (hereinafter collectively referred to as Hong Kong Legislation), which are supplemented by the common law and equity rules applicable in Hong Kong. The Company, as a joint stock limited company established in the PRC and seeking to list H-shares on the Hong Kong Stock Exchange, is subject to the PRC Company Law and other rules and regulations promulgated under the PRC Company Law.

A summary of the major differences in the laws and regulations respectively applicable to the companies incorporated in Hong Kong and the company limited by shares incorporated and existing under the PRC Company Law is carried out as follows. However, this summary is not an exhaustive comparison.

INCORPORATION OF A COMPANY

Pursuant to the Hong Kong Legislation, a company with share capital becomes an independent legal entity upon its registration with the head of the Companies Registry. A company can be incorporated as a public company or a private company. Pursuant to the Hong Kong Legislation, provisions of pre-emptive rights shall be included in the articles of association of a private company incorporated in Hong Kong, but are not required in that of a public company.

In accordance with the PRC Company Law, a joint stock limited company may be established either by way of promotion or by way of public subscription.

SHARE CAPITAL

In accordance with the Hong Kong Legislation, a company may specify in its articles of association the maximum number of shares that it may issue. Once such maximum number is declared, the company does not need to issue shares in full. Therefore, the maximum number of shares that the company may issue may be larger than the issued share capital. Under this circumstance, the directors of a Hong Kong company may, with the prior approval of the shareholders (if necessary), issue new shares of the company. The PRC Company Law does not specify the maximum number of shares to be issued. Our registered capital is the amount of our issued share capital. If we want to increase our registered capital, we must obtain the approval at the shareholders' general meeting and abide by applicable regulations of relevant governments and regulatory authorities in China.

The Laws of Hong Kong does not specify the minimum capital for a company incorporated in Hong Kong. The PRC Company Law does not provide for a minimum registered capital of a company limited by shares unless otherwise prescribed by laws, administrative regulations and the decisions of the State Council on the actual payment of registered capital and the minimum registered capital of a company limited by shares.

In accordance with the PRC Company Law, shares may be in the form of monetary or non-monetary assets (except for property that cannot be contributed as specified by laws and administrative regulations). Where a subscription is made in non-monetary property, the transfer formalities of its property rights shall be handled in accordance with the law. Following the establishment of a joint stock limited company, where it is found that the actual value of any non-financial asset used as a capital contribution for the establishment of the company is clearly lower than its value as stipulated in the articles of association, the promoter who made the capital contribution shall make up the shortfall, failing which, other promoters shall be jointly and severally liable for the shortfall. However, pursuant to the Hong Kong Legislation, a company incorporated in Hong Kong is not subject to such restrictions.

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RESTRICTIONS ON SHAREHOLDING AND TRANSFER OF SHARES

Pursuant to the PRC Company Law, Company shares held by the promoters of the company shall not be transferred within one year of the date of incorporation of the company. Shares issued prior to any public offer of shares shall not be transferred within one year of the date on which the shares of the company are first listed and traded on a stock exchange.

Directors, supervisors and senior officers of a company shall notify the company of the shares they hold and any changes therein. During their respective terms of office, any shares transferred by any of the company's directors, supervisors and senior officers in any year shall not exceed 25% of the relevant individual's total stake in the company. Company shares held by any director, supervisor or senior officer shall not be transferred within one year of the date on which the shares are first listed and traded on a stock exchange. Any of the aforesaid persons who ceases to hold his post shall not transfer any of his shares within six months of the date on which he ceased to hold his post. Any other restrictions on transfers of shares held by directors, supervisors and senior officers may be specified in the articles of association.

There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months after [REDACTED], and (ii) the prohibition of controlling shareholders from disposing of shares within 12 months after the lockup.

FINANCIAL ASSISTANCE FOR ACQUISITION OF SHARES

While the PRC Company Law does not prohibit or restrict a company or its subsidiaries from providing financial assistance for the purpose of purchasing shares in the company, the the Guidelines for Articles of Association contain several restrictions similar to those in the Hong Kong Legislation on such financial assistance provided by the company and its subsidiaries. In accordance with the Guidelines for Articles of Association, a company or its subsidiaries shall not at any time provide any financial assistance in any form to purchasers or prospective purchasers of the shares in the company. Purchasers of shares in the company as referred to above shall include persons that directly or indirectly undertake obligations for the purpose of purchasing shares in the company. The company or its subsidiaries shall not at any time provide any financial assistance in any form to the above obligators in order to reduce or discharge their obligations.

CHANGES IN RIGHTS OVER CLASSIFIED SHARES

In accordance with the Hong Kong Legislation, the rights attached to any class of shares may only be changed if (1) the written consent of the holder representing at least 75% of the total voting rights of the holders of the relevant class of shares is obtained, (2) such change is approved by the holders of the relevant class of shares through a special resolution at an independent shareholders' general meeting, or (3) there is any provision for changing such rights in the articles of association of the company.

The company (as required in the Hong Kong Listing Rules) has provided protection for class shareholders' rights in the company's articles of association in a manner similar to the Laws of Hong Kong. Holders of domestic shares and foreign shares listed overseas are defined as different classes in the articles of association, but the special procedures for voting by classified shareholders are not applicable to the following cases:

- (1) with the approval of the special resolution at the shareholders' general meeting, the company issues domestic shares and foreign shares listed overseas separately or simultaneously every 12 months, and the number of domestic shares to be issued and that of foreign shares listed overseas to be issued do not exceed 20% of the number of the issued shares of their own class;
- (2) the plan for issuing domestic shares and foreign shares listed overseas at the time of establishment of the company shall be completed within 15 months from the date of approval by the Securities Commission of the State Council.

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DIRECTORS

Unlike the Hong Kong Legislation, the PRC Company Law has no provision on the report of the interests of directors in major contracts, restrictions on certain benefits and guarantees for the directors' debts provided by the company to directors, and prohibition of compensation for resignation without the approval of shareholders. However, the Guidelines for Articles of Association impose certain restrictions on the contract of interest, as well as the provisions for directors to receive compensation for losing their positions. These provisions are included in the Company's articles of association and summarized in “Appendix VI — Summary of Our Articles of Association”.

BOARD OF SUPERVISORS

The directors and senior management of the company are subject to the supervision of the Board of Supervisors under the PRC Company Law, but a Board of Supervisors is not required for a company incorporated in Hong Kong under the Hong Kong Legislation. In accordance with the Guidelines for Articles of Association, the supervisors shall, in exercising their powers, act in good faith in the best interests of the company, and perform their due acts with care, diligence and skill as a reasonable and prudent person should do under similar circumstances.

DERIVATIVE ACTION BY MINORITY SHAREHOLDERS

Where a director violates the fiduciary duty to the company and controls the majority voting rights of the shareholders' general meeting, thereby effectively preventing the company from suing the director for breach of liability in its own name, the minority shareholders may file a derivative action against such director as per the Laws of Hong Kong. Where any director, supervisor or senior management personnel of the company violates laws, administrative regulations or the company's articles of association during the performance of duties, causing damage to the company, the minority shareholders are entitled to file a lawsuit in the people's court to investigate such person's liability in accordance with the PRC Company Law. In addition, the Guidelines for Articles of Association provide that the company may take other measures when any director, supervisor and senior management personnel violates his/her duties to the company.

In addition, as a condition for the [REDACTED] of H-shares on the Hong Kong Stock Exchange, each director and supervisor of the company (as an agent of each shareholder) must make a commitment to the company to allow minority shareholders to take action against directors and supervisors who fail to fulfill their respective duties.

PROTECTION OF MINORITY SHAREHOLDERS' RIGHTS

In accordance with the Laws of Hong Kong, where a shareholder complains about the unfair conduct of a company incorporated in Hong Kong and damage to his/her interests, he/she may apply to the court for winding up the company or applying for an appropriate decree governing the affairs of the company. In addition, where the number of such applications of shareholders reaches a specific value, the Financial Secretary may appoint an inspector and grant him/her a broad statutory power to investigate the affairs of the company incorporated in Hong Kong.

Pursuant to the PRC Company Law, where a company faces material difficulty in operations and management such that the interests of its shareholders will suffer heavy losses if the company continues to exist, and there is no other way to resolve the problem, the shareholders representing more than ten percent of the voting rights of all the shareholders of the company may file a request with the competent people's court to dissolve the company.

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Pursuant to the Guidelines for Articles of Association the company's controlling shareholder and the actual controller shall not use their related parties to harm the interests of the company. Compensation liability shall be borne if a violation of the provision above causes losses to the company. The company's controlling shareholder and actual controller have a duty of good faith towards the company and its public shareholders. The controlling shareholder shall strictly exercise the rights of investors in accordance with laws and regulations and shall not use methods such as profit distribution, asset restructuring, external investment, fund occupation, or loan guarantee to damage the legitimate rights and interests of the company or its public shareholders. They also cannot use their control position to harm the interests of both.

NOTICE OF SHAREHOLDERS' GENERAL MEETINGS

Pursuant to the PRC Company Law, the notice of an annual shareholders' general meeting and that of an extraordinary general meeting shall be issued no less than 20 days and 15 days prior to the meeting respectively. A limited company incorporated in Hong Kong shall send a notice of an annual shareholders' general meeting at least 21 days in advance and of other meetings 14 days in advance.

QUORUM OF SHAREHOLDERS' GENERAL MEETINGS

In accordance with the Laws of Hong Kong, the quorum for a shareholders' general meeting shall be not less than two shareholders, except as otherwise provided in the articles of association. For a company with only one shareholder, the quorum shall be a one shareholder. The PRC Company Law has no stipulation on the quorum of the a shareholders' general meeting.

VOTING RIGHTS

Pursuant to the Laws of Hong Kong, an ordinary resolution shall be approved by half of the shareholders attending the shareholders' general meeting in person or by proxy, while a special resolution shall be approved by no less than three-quarters. Pursuant to the PRC Company Law, any resolution of the shareholders' general meeting shall be passed by the shareholders representing more than half of the voting rights of all shareholders present at the meeting. However, a resolution of the shareholders' general meeting on modification of the articles of association, increase or reduction of the registered capital, merger, division or dissolution, or the conversion of the company shall be passed by the shareholders representing more than two-thirds of the voting rights of all shareholders present at the meeting.

FINANCIAL DISCLOSURE

Pursuant to the PRC Company Law, the financial report of a joint stock limited company shall be prepared for inspection by shareholders at the offices of the company 20 days in advance of the date on which the annual shareholders' general meeting is held. A joint stock limited company that has offered its shares to the public shall publicize its financial report, and shall, at the end of each accounting year, prepare a financial and accounting report which shall be audited by an accounting firm in accordance with the law. Pursuant to the Hong Kong Legislation, a company incorporated in Hong Kong shall send copies of financial statements, director's reports and auditor's reports to be used by shareholders at the annual shareholders' general meeting at least 21 days prior to the meeting.

In accordance with PRC law, we shall prepare financial statements pursuant to China's accounting standards.

INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

Pursuant to the PRC Company Law, shareholders are entitled to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Shareholders are entitled to inspect and copy (subject to cost or reasonable fees) information about the shareholders and directors under the Laws of Hong Kong.

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RECEIVING AGENTS

Pursuant to the PRC Company Law and the Laws of Hong Kong, dividends become debts payable to shareholders upon declaration.

Pursuant to the Hong Kong Legislation, a registered trust company is a receiving agent who, on behalf of H-share shareholders, collects dividends declared and other unpaid payments related to the shares owned by the company.

COMPANY REORGANIZATION

A company incorporated in Hong Kong may be reorganized in multiple manners, including transferring all or part of the business or property of the company to another company in the voluntary liquidation process or reaching a compromise or arrangement between the company and its creditors or members in accordance with the Hong Kong Legislation; provided that the aforesaid shall be subject to a court decision. The merger, division or dissolution, or the conversion of a Chinese company shall be approved at the shareholders' general meeting.

DISPUTE AND ARBITRATION

In Hong Kong, disputes between a shareholder (a party) and a company incorporated in Hong Kong or its director (the other party) may be settled by a court.

COMPULSORY WITHDRAWAL

Pursuant to the PRC Company Law, when a company distributes its after-tax profit to shareholders, it shall first allocate the amount stipulated by itself to its statutory common reserve fund. There is no relevant provision in the Hong Kong Legislation.

REMEDIES

Pursuant to the PRC Company Law, where any director, supervisor or senior officer violates any law, administrative regulation, or the articles of association in the course of performing his duties, he shall be liable to compensate the company for any loss thereby caused to the company. In addition, pursuant to the Hong Kong Listing Rules, the company shall include remedies similar to those provided in the Laws of Hong Kong (including cancellation of contracts and claiming profits from directors, supervisors or senior management personnel) in the articles of association.

DIVIDENDS

Pursuant to the articles of association, the company may, in accordance with Chinese laws, make tax withholdings in respect of any dividend or other distribution to shareholders and pay taxes payable to the relevant tax authorities. The time limit for filing a claim for debt repayment (including the recovery of dividends) is six years under the Laws of Hong Kong and three years under the Chinese law. The company shall not exercise any right to confiscate any unclaimed H-share dividends until the applicable time limit expires.

FIDUCIARY DUTY

The common law of Hong Kong defined the directors' fiduciary responsibility. Pursuant to the PRC Company Law, the directors, supervisors and senior management personnel of a company shall be faithful and diligent to the company. Pursuant to the Guidelines for Articles of Association, directors, supervisors and senior management personnel shall abide by the principle of good faith, safeguard the interests of the company, and shall not take advantage of their positions and powers in the company to seek personal gain.

SUSPENSION OF SHAREHOLDER REGISTRATION

Pursuant to the Hong Kong Legislation, the full registration suspension of the transfer of shareholders' registered shares within one year shall not exceed 30 days (or 60 days under special circumstances).