

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

1. 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, separate regulations, autonomous regulations, rules and regulations of state 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 (2023 Revision)(《中華人民共和國立法法(2023年修訂)》)(the “**Legislation Law**”), the National People’s Congress (the “**NPC**”) and the Standing Committee of the NPC are empowered to exercise the legislative power of the State in accordance with the Constitution. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, State organs, and other matters. The Standing Committee of the NPC is empowered to formulate and amend the laws other than those required to be enacted by the NPC, and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The Standing Committee of the NPC can be authorized by the NPC to formulate such relevant laws.

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

The people’s congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, ecological conservation, historical and cultural protection, and grassroots governance based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned. Autonomous regulations and separate regulations of autonomous regions will become enforceable after being reported to and approved by the standing committees of the NPC. Autonomous regulations and separate regulations of autonomous prefectures and autonomous counties will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the provinces, autonomous regions and municipalities.

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The ministries and commissions of the State Council, PBOC, the National Audit Office and the subordinate institutions with administrative functions directly under the State Council and institutions prescribed by law may formulate rules and regulations within the permissions of their respective departments based on the laws and the administrative regulations, decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people’s governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

The Constitution has the highest legal effect. No laws, administrative regulations, local regulations, autonomous regulations, separate rules nor regulations shall contravene the Constitution. Laws have a higher legal effect than administrative regulations, local regulations, rules and regulations. Administrative regulations have a higher legal effect than local regulations, and rules and regulations. Local regulations have a higher legal effect than the rules and regulations of local government of the same or lower tier. The rules and regulations enacted by the people’s government of provinces, autonomous regions have a higher legal effect than the rules and regulations enacted by the people’s government of the cities divided into districts or autonomous prefecture within the administrative region of the province or autonomous region.

The NPC has the power to change or revoke any inappropriate laws enacted by the Standing Committee, and to revoke any autonomous regulations or separate regulations approved by the Standing Committee that violate the provisions of the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to revoke any administrative regulations that conflict with the Constitution and laws, the power to revoke any local regulations that conflict with the Constitution, laws or administrative regulations, and the power to revoke the regulations of any province, autonomous region, or municipality directly under the Central Government. Autonomy regulations or local regulations approved by the Standing Committee of the NPC that violate the provisions of the Constitution and the Legislation Law. The State Council has the power to change or revoke any inappropriate departmental regulations and local government regulations. The people’s congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to change or revoke any inappropriate local regulations enacted or approved by their respective standing committees. The people’s governments of provinces and autonomous regions have the right to change or revoke any inappropriate regulations formulated by the people’s governments at lower levels.

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According to the Constitution and the Legislation Law, the power of legal interpretation belongs to the Standing Committee of the NPC. According to the Resolution of the Standing Committee of the National People’s Congress on Strengthening Legal Interpretation implemented on June 10, 1981, all issues concerning the specific application of laws and decrees in court trials shall be interpreted by the Supreme People’s Court. All issues related to 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 interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate, they shall be submitted to the Standing Committee of the NPC for explanation or decision. Other relevant legal and statutory issues other than the above shall be interpreted by the State Council and the competent departments. The State Council and its ministries and commissions also have the right to interpret the administrative regulations and departmental rules promulgated by them. At the local level, the power to interpret local laws rests with the local legislative and administrative agencies that promulgate the relevant laws.

2. THE PRC JUDICIAL SYSTEM

Under the Constitution and the Law of Organization of the People’s Court of the PRC (《中華人民共和國人民法院組織法》) amended by the Standing Committee of the NPC on October 26, 2018 and came into effect on January 1, 2019, the PRC judicial system comprises the Supreme People’s Court, the local people’s courts at all levels, and military courts and other specialized people’s courts.

The local people’s courts at all levels are composed of the basic people’s courts, the intermediate people’s courts and the higher people’s courts. The basic people’s courts may set up civil, criminal, and economic tribunals and certain people’s tribunals based on the status of the region, population and cases. The trial courts of the intermediate people’s courts are similar to those of the basic people’s court, and other specialized trial courts may be set up when necessary. The Supreme People’s Court shall be the highest judicial organ of the state. The Supreme People’s Court shall supervise the administration of justice by the local people’s courts at all levels and by the special people’s courts. The Supreme People’s Procuratorate has the power to supervise the judgements and rulings of the people’s courts at all levels that have entered into force of law. The higher people’s courts have the power to supervise the judgements and rulings of the people’s courts at lower levels that have entered into force of law.

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The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》)(the “**Civil Procedure Law**”), last amended on September 1, 2023 and came into effect on January 1, 2024, 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. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people’s court having jurisdiction should be located at places directly connected with the disputes, such as the defendant’s place of domicile, the place where the contract is executed or signed, the plaintiff’s place of domicile, or the place where the object of the action is located. Meanwhile, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction. 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 finds any definite errors in a legally effective final judgment, ruling or paper of mediation of the people’s court at all levels or the people’s courts at the next higher level find any definite errors in a legally effective final judgment, ruling or paper of mediation of the people’s court at a lower level, the Supreme People’s Court or such people’s courts shall have the power to bring the case to trial or to direct the people’s courts at lower levels to conduct a retrial. If the chief judge of a people’s court at any level finds any definite errors in a legally effective final judgment, ruling or paper of mediation of such court, and consider that the case should be retried, the case shall be submitted to the judicial committee of the people’s court at the same level for discussion and decision.

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A foreign individual, a person without nationality, a foreign enterprise or 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 the PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the litigation rights of the citizens or enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or 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 the PRC court. In accordance with the international treaties to which the People’s Republic of China is a signatory or participant, or according to the principle of reciprocity, a people’s court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other litigation activities on its behalf. 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 a PRC arbitration tribunal, the other party may apply to the people’s court for the enforcement of the same within two years (or it may also apply for postponement of enforcement or revocation).

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 People’s Republic of China, 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. Judgments or rulings that violate the basic legal principles of PRC laws, national sovereignty or security, or not be in social and public interest would not be recognized or enforced.

3. ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》)(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 was amended on August 27, 2009 and September 1, 2017. The PRC Arbitration Law is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. Pursuant to the PRC Arbitration Law, an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration provisions in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties involved have agreed to settle disputes by means of arbitration, a people’s court will refuse to handle a legal proceeding initiated by one of the parties at such people’s court, unless the arbitration agreement has lapsed.

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Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If one party fails to comply with the arbitral award, the other party to the award may apply to a people’s court for its enforcement. However, if the people’s court, after forming a collegial tribunal, finds that there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or the arbitration procedure violates the statutory procedure, the making of an award on matters beyond the scope of the arbitration agreement or outside the jurisdiction of the arbitration commission), the people’s court may refuse to enforce an arbitral award made by an arbitration commission.

Any party seeking to enforce an award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not located within the PRC may directly apply to a foreign court with jurisdiction over the relevant matters 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 (the “**New York Convention**”) passed 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 thereto subject to their rights to recognize or refuse such enforcement under certain circumstances, including where the recognition or enforcement of the award is against the public policy of that state. At the time of the PRC’s accession to the New York Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the New York Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only apply to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

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An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People’s Court of China was reached. The Supreme People’s Court of China adopted the Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which came into effect on February 1, 2000. The arrangement reflects the spirit of the New York Convention. Under the arrangement, awards made by the Mainland arbitral bodies in accordance with the PRC Arbitration Law may be enforced in Hong Kong, and the awards made by the Hong Kong arbitral bodies in accordance with the Arbitration Ordinance of the Hong Kong Special Administrative Region may also be enforced in the Mainland of China. If the Mainland courts deem the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland to be against public interests of the Mainland, or if the Hong Kong SAR courts deem the enforcement of such arbitration awards to be against the public policies in the Hong Kong SAR, such awards may not be enforced. On November 26, 2020, the Supreme People’s Court of China promulgated the Supplemental Arrangement of the Supreme People’s Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (the “**Supplemental Arrangement**”). Pursuant to the Supplemental Arrangement, before or after accepting an application for enforcement of an arbitral award, the court concerned may, upon application and in accordance with the law of the place where the arbitral award is to be enforced, take measures of preservation or enforcement.

4. JUDICIAL JUDGMENT AND ITS ENFORCEMENT

According to the “Arrangement between the Supreme People’s Court and the Courts of the Hong Kong Special Administrative Region Concerning Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》)” promulgated by the Supreme People’s Court on January 25, 2024 and implemented on January 29, 2024, the arrangement may be applied to the reciprocal recognition and enforcement of judgments in civil and commercial matters entered into force by the courts of the Mainland and the Hong Kong Special Administrative Region, as well as to the reciprocal recognition and enforcement of judgments in civil claims in criminal cases. Applications for the recognition and enforcement of judgments under the arrangement shall be made: (1) in the Mainland, to the intermediate people’s court at the place of domicile of the applicant, or the place of domicile of the respondent, or the place of location of the applicant’s property; and (2) in the Hong Kong Special Administrative Region, to the High Court. The applicant shall file the application with one of the People’s Courts that meets the requirements of the first part of the preceding paragraph. If the application is filed with more than two People’s Courts having jurisdiction, the People’s Court which files the application first shall have jurisdiction.

Accordingly, a party may apply to the People’s Court of the PRC or the High Court of the Hong Kong Special Administrative Region for the recognition and enforcement of a final judgment delivered in the PRC or in Hong Kong that satisfies certain conditions set out above.

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5. THE PRC SECURITIES LAWS, REGULATIONS

The PRC has promulgated a series 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 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 the CSRC and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) govern the application and approval procedures for public offerings of equity securities, trading of equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information, investigation, penalties and dispute resolutions with respect to listed companies.

On December 25, 1995, the State Council promulgated the Special 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特別規定》). 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**”) was implemented 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 Securities Law was amended on December 28, 2019 and came into effect on March 1, 2020. The Securities Law is divided into 14 chapters and 226 articles, regulating, among other things, the issuance and trading of securities, acquisition of listed companies, and the obligations and responsibilities of stock exchanges, securities companies and the State Council’s securities supervisory and regulatory authorities.

The Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the Securities Law stipulates that domestic companies shall satisfy the relevant requirements of the State Council before they can list their shares overseas. Currently, the issuance and trading of securities (including shares) issued overseas are principally governed by rules and regulations promulgated by the State Council and the CSRC.

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6. THE COMPANY LAW OF THE PRC, TRIAL ADMINISTRATIVE MEASURES OF OVERSEAS SECURITIES OFFERING AND GUIDELINES

The Company Law of the PRC (《中華人民共和國公司法》)(the “**PRC Company Law**”) was adopted by the Standing Committee of the NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was subsequently revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023, respectively. The latest revision of the PRC Company Law was implemented on July 1, 2024.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》)(the “**Trial Measures of Overseas Securities Offering**”) and five relevant guidelines, which came into effect on March 31, 2023. The Trial Measures of Overseas Securities Offering are applicable to the issuance and listing of securities by domestic enterprises.

The Guidelines on the Articles of Association of Listed Companies (the “**Guidelines**”) issued by the CSRC on December 16, 1997, which were last revised on December 15, 2023, and became effective on the same date, provide guidance on the formulation of a company’s articles of association. Accordingly, the requirements set out in the Guidelines have been incorporated into the Company’s articles of association, a summary of which is set out in the section headed “Appendix — Summary of Articles of Association” in this document.

Set out below is a summary of the major provisions of the PRC Company Law, the Trial Measures of Overseas Securities Offering and the Guidelines.

General

A joint stock limited company is an enterprise legal person incorporated in the PRC under the PRC Company Law, which has independent legal person property and the right to enjoy such legal person property, and whose registered capital is divided into shares of equal nominal value. The liability of the shareholders of a company is limited to the number of shares held by each shareholder and the company is liable to its creditors to the extent of the total value of its assets.

A joint stock limited company shall conduct its business in compliance with laws and administrative regulations. A joint stock limited company may invest in other limited liability companies and joint stock limited companies, and the liability of the joint stock limited company to such investee companies is limited to the amount invested. Unless otherwise provided by law, a joint stock limited company may not, as an investor, bear joint and several liability for the debts of the investee companies.

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Incorporation

A joint stock limited company may be established by promotion or public subscription. A joint stock limited company shall have a minimum of one person but no more than 200 people as its promoters, over half of which must have a domicile within the territory of the People’s Republic of China. The registered capital of a joint stock limited company shall be the total number of issued shares registered with the company’s registration authority.

In the case of a joint stock limited company established by promotion, the promoters shall subscribe for the full number of shares to be issued upon the establishment of the company as provided for in the articles of association. Where a company limited by shares is established by public subscription, the shares subscribed by the promoters shall not be less than 35% of the total number of shares to be issued at the time of the establishment of the company as stipulated in the articles of association; provided, however, that if there are any other provisions in the laws and administrative regulations, they shall apply according to the provisions thereof.

The promoters shall, before the incorporation of the company, pay the full amount of the shares for which they have subscribed. If a promoter fails to pay for the shares he has subscribed for, or if the actual value of the non-monetary property used as a capital contribution is significantly less than the amount of the shares subscribed for, the other promoters are jointly and severally liable to the extent of the shortfall in the capital contribution.

Where the shares issued remain undersubscribed by the time of incorporation of the company, 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. After the promoters and subscribers have paid the share capital or delivered the non-monetary capital contribution, their share capital shall not be withdrawn except in the case where the shares are not fully subscribed as scheduled, or where the promoters fail to convene an inauguration meeting as scheduled, or where the inauguration meeting resolves not to establish the company.

The board of directors shall authorize its representatives to apply to the registrar of companies for registration of the establishment of the company within thirty days after the conclusion of the inauguration meeting.

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Share Capital

The shareholders may make a capital contribution in currencies, or in kind, intellectual property rights, land use rights, equity interests, creditor’s rights and other non-monetary assets which can be appraised with monetary value and transferred lawfully; provided, however, that such assets are not prohibited from being contributed as capital as stipulated by laws and administrative regulations. Non-monetary assets used as capital contribution shall be appraised and verified and shall not be over- or under-appraised. If laws and administrative regulations have provisions on valuation and valuation, those provisions shall prevail.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class shall carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber.

According to the Trial Measures of Overseas Securities Offering, a domestic enterprise making an initial public offering or listing overseas shall file the application for listing with CSRC within three working days after submitting the listing application documents overseas. Domestic enterprises that issue and list their shares overseas may raise funds and pay dividends in foreign currencies or Renminbi.

Increase in Share Capital

Pursuant to the PRC Company Law, when a company issues new shares, the shareholders shall make resolutions on the following matters: 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. If shares without par value are issued, the proceeds from the issuance of the new shares is to be included in the registered capital.

After the shares issued by the company have been paid up, a public announcement must be made accordingly.

Reduction of Share Capital

When a company needs to reduce its registered capital, the company shall prepare a balance sheet and an inventory of assets, the company shall notify its creditors within 10 days and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days. The creditors of the company are entitled to require the company to repay its debts or provide guarantees for such debts within 30 days from receipt of the notification or within 45 days from the date of the announcement if he/she/it has not received any notification.

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Repurchase of Shares

Pursuant to the PRC Company Law, a company may not repurchase its own shares other than for the following purposes: (i) reducing its registered capital; (ii) merging with other companies which hold its shares; (iii) granting shares for the purpose of implementing an employee share scheme or share incentive plan; (iv) repurchasing of the company’s shares from shareholders who vote against a resolution regarding a merger or split with other companies at a shareholders’ general meeting; (v) utilizing the shares to convert convertible corporate bonds issued by a listed company; and (vi) 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 under scenarios (i) and (ii) above shall be approved by way of a resolution of a shareholders’ general meeting; acquisition by a company of its own shares under scenarios (iii), (v) and (vi) 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.

Upon the acquisition by a company of its own shares under scenario (i), such shares shall be deregistered within 10 days from the date of the acquisition; such shares shall be transferred or canceled within six months under the scenarios (ii) or (iv); the total shares held by the company after the share repurchase under the scenarios (iii), (v) or (vi) shall not exceed 10% of the total shares issued by the company and such shares shall be transferred or canceled within three years.

A listed company that undertakes a share repurchase shall fulfill its information disclosure obligations in accordance with the provisions of securities laws. If the share repurchase is carried out under scenarios (iii), (v) or (vi), such shares should be publicly traded on a centralized basis.

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

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant rules and regulations. A shareholder should effect a transfer of his/her shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Transfer of registered shares by shareholders must be made by endorsement on the back of the share certificates or in any other manner stipulated by laws and administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. A transfer of bearer shares shall become effective upon the delivery of the certificates to the transferee by the shareholder.

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No changes of registration in the share register 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. However, where the law provides otherwise for the registration of changes in the register of shareholders of a listed company, such provisions shall apply.

Pursuant to the PRC Company Law, shares issued prior to the public offering of the shares may not be transferred within one year from the date on which the shares of a joint stock limited company are listed on the 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. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company each year. 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 PRC Company Law and the Guidelines, holders of ordinary shares of a joint stock limited company are entitled to the following rights:

- (1) to receive dividends and other distributions in respect of the number of shares held;
- (2) to attend or appoint a proxy to attend shareholders’ general meetings and exercise voting rights in respect of the number of shares held;
- (3) to supervise, make recommendations or inquire about the company’s operations;
- (4) to transfer, donate or pledge their shares in accordance with applicable laws, regulations and the company’s articles of association;
- (5) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders’ general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports;
- (6) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the termination or liquidation of the company;
- (7) to request the company to acquire the shares of any shareholder who dissent on a resolution regarding a merger or division at the shareholders’ meeting; and
- (8) any other shareholders’ rights provided for in laws, administrative regulations and the company’s articles of association.

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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, to not abuse shareholders’ rights to harm the interests of the company or other shareholders of the company, to not abuse the company’s independent status and limited liability as a legal person to harm the interests of the company’s creditors, and any other shareholder obligation specified in the articles of association.

Shareholders’ General Meetings

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

- (1) to elect and dismiss the directors and supervisors not being representative(s) of employees and to decide on the matters relating to the remuneration of directors and supervisors;
- (2) to review and approve the reports of the board of directors;
- (3) to review and approve the reports of the supervisory board;
- (4) to review and approve the company’s profit distribution proposals and loss recovery proposals;
- (5) to decide on any increase or reduction of the company’s registered capital;
- (6) to decide on the issue of corporate bonds;
- (7) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;
- (8) to amend the company’s articles of association; and
- (9) to exercise any other authority stipulated in the articles of association.

Pursuant to the PRC Company Law, a shareholders’ general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months upon the occurrence of any of the following:

- (1) the number of directors is less than the number required by law or less than two-thirds of the number specified in the articles of association;
- (2) the total outstanding losses of the company amounted to one-third of the company’s total paid-in share capital;

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- (3) shareholders individually or in aggregate holding 10% or more of the company’s shares request to convene an extraordinary general meeting;
- (4) the board deems necessary;
- (5) the supervisory board so proposes; or
- (6) any other circumstances as provided for in the articles of association.

A shareholders’ general meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his/her duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his/her duties, a director recommended by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties, the supervisory board shall convene and preside over the shareholders’ general meeting in a timely manner. If the supervisory board fails to convene and preside over the 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 the shareholders’ general meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days prior to the meeting. A notice of an 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 1% 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 shareholders’ general meeting for deliberation, except in the case where the interim proposal violate the laws, administrative regulations or the company’s articles of association, or falls beyond the scope of the shareholders’ general meeting. A company that publicly issues shares shall make the notification specified in the preceding two paragraphs in the form of an announcement.

Pursuant to the PRC Company Law, shareholders present at a shareholders’ general meeting have one vote for each share they hold, except for class shareholders. Shares of the Company held by the Company do not carry voting rights.

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

Minutes shall be prepared in respect of matters considered at the 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

Under the PRC Company Law, a joint stock limited company is required to establish a board of directors. A joint stock limited company may, in accordance with the provisions of its articles of association, establish an audit committee comprising directors on the board of directors, which shall exercise the powers and functions of the supervisory committee as provided for in the Company Law, and shall not have a supervisory board or supervisors. The audit committee shall consist of three or more members, and a majority of the members shall not hold positions other than director in the company, and shall not have any relationship with the company that may affect their independent and objective judgement. Employee representatives of the company’s board of directors may be members of the Audit Committee.

The term of office of directors shall be prescribed by the company’s articles of association, and each term of office shall not exceed three years. A director may be re-elected upon expiry of his/her term of office. If a director is not re-elected in time upon expiration of his/her term of office, or if a director resigns during his/her term of office and as a result the number of members of the board of directors is less than a quorum, the original director shall continue to perform his/her duties as a director in accordance with the provisions of the laws, administrative regulations, and the company’s articles of association until a duly re-elected director assumes his/her duties as a director of the company.

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

- (1) to convene shareholders’ general meetings and report on its work to the shareholders’ general meetings;
- (2) to implement the resolutions passed by the shareholders at the shareholders’ general meetings;
- (3) to decide on the company’s operational plans and investment proposals;
- (4) to formulate the company’s profit distribution proposals and loss recovery proposals;
- (5) to formulate proposals for the increase or reduction of the company’s registered capital and the issue of corporate bonds;
- (6) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;
- (7) to decide on the setup of the company’s internal management organs;
- (8) to appoint or dismiss the company’s managers and decide on his/her remuneration and, based on the manager’s recommendation, to appoint or dismiss any deputy manager and financial officer of the company and to decide on their remunerations;
- (9) to formulate the company’s basic management system; and
- (10) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. An extraordinary board meeting may be proposed to be convened by shareholders representing one-tenth or more of the voting rights, one-third or more of the directors or the supervisory board. The chairman of the board of directors shall convene and preside over a meeting of the board of directors within ten days from the receipt of such proposal. The board of directors may otherwise determine the means and the period of notice for convening an extraordinary 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 shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

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

Under the PRC Company Law, the following person may not serve as a director in a company: (1) a person who is unable or has limited ability to undertake any civil liabilities; (2) a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence, or where less than two years have lapsed from the date of the completion of the probationary period if having been given probation; (3) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise; (4) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally liable, where less than three years have elapsed since the date of such revocation or closure; and (5) a person who has been classified by a people’s court as a dishonest judgement debtor as a result of failing to settle a large amount of overdue debts. If a company violates the provisions of the preceding paragraph in electing or appointing a director, the election or appointment shall be invalid. If any of the circumstances listed in the preceding paragraph occurs during a director’s term of office, the Company shall terminate his or her duties.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing, or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing, or is not performing his/her duties, a director jointly elected by more than half of the directors shall perform his/her duties.

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Supervisory Board

Under the PRC Company Law, a joint stock limited company may, in accordance with the provisions of its articles of association, establish an audit committee under the board of directors comprising directors to exercise the powers and functions of the supervisory board, in place of a supervisory board or supervisors. Otherwise, a joint stock limited 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, among 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 other manners of democratic election.

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.

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

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

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 of the company shall be convened at least once every six months. Under the PRC Company Law, a resolution of the supervisory board shall be passed by more than half of all supervisors.

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The supervisory board may exercise its powers:

- (1) to review the company’s financial affairs;
- (2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or resolutions of the shareholders’ general meetings;
- (3) when the acts of a director or a senior management personnel are detrimental to the company’s interests, to require the director and senior management to correct those acts;
- (4) to propose the convening of extraordinary shareholders’ general meetings;
- (5) to submit proposals to the shareholders’ general meetings;
- (6) to bring legal actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law;
- (7) to request directors and senior management to submit reports regarding the performance of their duties; and
- (8) to exercise any other authority stipulated 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.

Manager and Senior Management

According to the PRC Company Law, senior management refers to managers, deputy managers, financial officers, secretaries to the board of a company and other personnel 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 manager, who reports to the board of directors, may exercise his/her powers in accordance with the provisions of the articles of association or as authorized by the board of directors. Supervisors may be present at board meetings.

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Duties of Directors, Supervisors and Senior Management

Under the PRC Company Law, directors, supervisors and senior management personnel are obliged to be faithful and diligent towards the company, and should take measures to avoid any conflict between their own interests and the interests of the company, and should not make use of their powers to obtain improper benefits. Directors, supervisors and senior management have a duty of diligence to the company and should exercise reasonable care in performing their duties in the best interests of the company, as would normally be expected of a manager.

Directors, supervisors and senior management personnel are prohibited from:

- (1) misappropriating company property or funds;
- (2) depositing company funds into accounts under their own names or the names of other individuals;
- (3) using their position to accept bribe or other illegal income;
- (4) accepting for their own benefit commissions from a third party for transactions conducted with the company;
- (5) unauthorized divulgence of confidential information of the company;
- (6) other acts in violation of their duty of loyalty to the company.

Directors, supervisors and senior management, who directly or indirectly enter into contracts or transactions with the company, shall report to the board of directors or the shareholders’ meeting on matters relating to such contracts or transactions, and have such matters resolved by the board of directors or the shareholders’ meeting in accordance with the provisions of the articles of association.

Directors, supervisors and senior management shall not use their position to procure business opportunities for themselves or others that should have otherwise been available to the company, except for one of the following circumstances:

- (1) having reported the matter to the board of directors or shareholders’ meeting, and having such matter resolved by the board of directors or the shareholders’ meeting in accordance with the provisions of the articles of association;
- (2) where the business opportunity cannot be utilized by the company in accordance with the laws, administrative regulations or the articles of association of the company.

Income derived by directors, supervisors and senior management from violations of the Company Law shall belong to the company.

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If the presence of the directors, supervisors and senior managers is requested by the shareholders’ meeting, the directors, supervisors and senior managers shall attend the shareholders’ meeting and address inquiries from shareholders.

Where a director, supervisor or senior management personnel violates the laws, administrative regulations or the provisions of the articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company’s shares consecutively for more than 180 days may request in writing that the supervisory board institute litigation at the people’s court. Where a supervisor violates the laws, administrative regulations or the provisions of the articles of association in the performances of his/her duties resulting in any loss to the company, the aforementioned shareholder(s) may request in writing that the board of directors institute litigation at the people’s court on his/their behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving such 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, the aforementioned shareholder(s) shall have the power to institute litigation directly at the people’s court in his/their 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 the people’s court in accordance with the procedure described above. Where a director, supervisor or senior management of a wholly-owned subsidiary of the company violates the laws, administrative regulations or the provisions of the articles of association resulting in any loss to the company, or in infringement of the lawful rights and interests of such subsidiary, shareholder(s) holding individually or in aggregate more than 1% of the company’s shares consecutively for more than 180 days may request in writing that the supervisory board and board of directors of the subsidiary institute litigation at the people’s court, or institute litigation directly at the people’s court in his/their own name.

Where a director, supervisor or senior management personnel violates the laws, administrative regulations or the provisions of the articles of association resulting in any loss to the shareholders, the shareholders may institute litigation at the people’s court.

Finance and Accounting

Under the PRC Company Law, the company shall establish its own financial and accounting systems in accordance with the laws, administrative regulations and the regulations of the Ministry of Finance of the State Council. The Company shall prepare a financial report at the end of each financial year, which shall be audited by a public accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the Ministry of Finance of the State Council.

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A company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders’ annual general meeting. A joint stock limited company of which the shares are publicly issued must publish its financial report.

When distributing each year’s profits after taxation, the company shall set aside 10% of its profits after taxation for the company’s statutory common reserve fund until the fund has reached more than 50% of the PRC company’s registered capital.

When the company’s statutory common reserve fund is not sufficient to make up for the company’s losses for the previous years, the current year’s profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund as stipulated above.

After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders’ general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund.

After the company has made good its losses and made allocations to its discretionary common reserve fund, a limited liability company shall distribute its profits in proportion to the paid-in capital of the shareholders, unless all shareholders agree not to distribute profits in proportion to their capital contributions. A joint stock limited company shall distribute its profits in proportion to the number of shares held by the shareholders, unless otherwise provided for in the articles of association of the company.

The company shall not be entitled to any distribution of profits in respect of its own shares held by it.

The premium received by the company from the issuance of shares at an issue price in excess of the nominal value of the shares, proceeds from the issuance of no-par shares not included in the registered capital, and other items as required by the Ministry of Finance of the State Council to be treated as the capital reserve fund shall be accounted for as the company’s capital reserve fund. The common reserve fund shall be used to make up for the company’s losses, expand the company’s business operation, or be transferred into the company’s registered capital.

When a company’s common reserve fund is used to make up for its losses, it should first be used as a discretionary capital reserve fund and a statutory capital reserve fund; if it is still unable to make up for the losses, it may be used as a capital reserve in accordance with the regulations. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

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

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Appointment and Dismissal of Accounting Firm

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company’s auditing shall be determined by a shareholders’ general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting, the board of directors or the supervisory board 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.

Profit Distribution

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

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. Any amendment to the company’s articles of association must be made in accordance with the procedures set out in the company’s articles of association. If it involves the registration of a company, the change must be registered with the registration authority.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons: (i) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders have resolved at a shareholders’ general meeting to dissolve the company; (iii) the company shall be dissolved by reason of its merger or division; (iv) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or (v) the company is dissolved by the 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’ interests. In the event that a company is dissolved on the aforesaid reasons, the company shall make public the reasons for dissolution through the National Enterprise Credit Information Publicity System within ten days.

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In the event of scenarios (i) and (ii) set out in the preceding paragraph and has not yet distributed its property to its shareholders, the company may carry on its existence by amending its articles of association or by resolution of the shareholders’ meeting. The amendment to the articles of association or the resolution of the shareholders’ meeting in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders’ meeting.

Where the company is dissolved under the circumstances set forth in items (i), (ii), (iv) or (v) above, it should establish a liquidation committee wherein the directors are the liquidation obligors 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 liquidation obligors fail to fulfil their liquidation obligations in a timely manner causing losses to the company or its creditors, they shall be liable to pay compensation. If a liquidation committee is not established within the stipulated period, the company’s creditors can apply to the people’s court for setting up a liquidation committee with designated relevant personnel to conduct 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 following powers during the liquidation:

- (1) to sort out the company’s assets and to prepare a balance sheet and an inventory of assets;
- (2) to notify the company’s creditors or publish announcements;
- (3) to deal with any outstanding business related to the liquidation;
- (4) to pay any overdue tax together with any tax arising during 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 any civil procedures.

The liquidation committee shall notify the company’s creditors within 10 days of its establishment and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System 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.

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Upon disposal of the company’s property and preparation of the required 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 official receiver appointed by 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.

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

Merger and Division

Under the PRC Company Law, a company may merge by way of absorption or by establishing a new merging entity. If a company adopts the merger by absorption, the absorbed company shall be dissolved; if a company merges by forming a new company, the merging parties shall be dissolved.

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or the National Enterprise Credit Information Publicity System within 30 days. A creditor may, within 30 days from the date of reception of the notification, or within 45 days from the date of the announcement if he has not received such notification, request the company to settle any outstanding debts or provide corresponding guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

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In case of a division, the company’s assets shall be divided and a balance sheet and an inventory of assets shall be prepared. The company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers or the National Enterprise Credit Information Publicity System within 30 days.

Changes in the registration as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In case of dissolution of a company, the company shall apply for cancellation of registration in accordance with the law; in case of establishment of a new company, the company shall be registered for establishment in accordance with the law.

Overseas Listing

According to the Trial Measures of Overseas Securities Offering, a domestic enterprise shall report its application for overseas issuance and listing to the CSRC for record within three working days after submitting the application documents for overseas issuance and listing. 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.