

The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is not intended to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see section entitled “Regulatory Environment” in this prospectus.

Chinese legal system

The PRC legal system is based on the Constitution of the People’s Republic of China (hereinafter referred to as Constitution) (《中華人民共和國憲法》), which was issued and implemented on December 4, 1982 and latest revised on March 11, 2018, and composed of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions, international treaties entered into by the PRC government, and other regulatory documents. Court case verdicts do not constitute binding precedents. However, they may be used for the purposes of judicial reference and guidance.

Laws

Legislative competence

The National People’s Congress of the People’s Republic of China (hereinafter referred to as NPC) is the highest organ of state power. Its permanent body is the Standing Committee of the National People’s Congress (hereinafter referred to as Standing Committee of the NPC).

According to the Constitution and the Legislative Law of the People’s Republic of China (hereinafter referred to as Legislation Law) (《中華人民共和國立法法》), which was issued on March 15, 2000, implemented on July 1, 2000, and revised on March 15, 2015. The NPC and the Standing Committee of the NPC exercise the legislative power of the state. The NPC develops and amends the basic laws on criminal matters, civil matters, and state authorities, among others. The Standing Committee of the NPC develops and amends laws other than those developed by the NPC; and when the NPC is not in session, partially supplements and amends laws developed by the NPC, provided that the basic principles in such laws are not violated.

Administrative regulations

The State Council, that is, the central people’s government of the People’s Republic of China is the executive body of the highest organ of state power and the highest organ of state administration. It has the power to develop administrative regulations according to the Constitution and other laws.

Local regulations, autonomous regulations, and separate regulations

The people’s congress and its standing committee of a province, autonomous region, or municipality directly under the central government may, according to the specific circumstances and actual needs of the administrative region, develop local regulations provided that such regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congress and its standing committee of a districted city may, according to the city’s specific circumstances and actual needs, develop local regulations with respect to urban and rural development

and administration, environmental protection, and historical culture protection, among others, provided that such local regulations are not in conflict with the Constitution, laws and administrative regulations, as well as the local regulations of the province or autonomous region where the city is located, unless a law provides otherwise for the development of local regulations by a districted city.

Except for a city where the people's government of a province or autonomous region is located, a city where a special economic zone is located, as well as a relatively large city as approved by the State Council, the specific procedures and time for district cities to begin developing local regulations shall be determined by the standing committee of the people's congress of the relevant province or autonomous region after comprehensively considering the population, territory area, economic and social development, legislative demand, legislative capacity, and other factors of the districted cities of the province or autonomous region, and be reported to the Standing Committee of the NPC and the State Council for recordation.

The people's congress and its standing committee of an autonomous prefecture may exercise a districted city's power to develop local regulations in accordance with relevant provisions.

The people's congress and its standing committee of the province or city where a special economic zone is located shall, according to the empowerment decision issued by the NPC, develop regulations to be enforced within the special economic zone.

The people's congress of an ethnic autonomous area has the power to develop autonomous regulations and special regulations according to the political, economic and cultural characteristics of the local ethnicities.

Rules

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office, and other organs with administrative functions directly under the State Council may, in accordance with laws and administrative regulations, decisions and orders of the State Council, develop rules within their respective power.

The people's government of a province, an autonomous region, a municipality directly under the central government, a districted city, or an autonomous prefecture may develop rules in accordance with laws, administrative regulations, and the local regulations of the province, autonomous region, or municipality.

Application of laws

The Constitution has the supreme legal effect, and no laws, administrative regulations, local regulations, autonomous regulations, special regulations or rules may contravene the Constitution. The effect of laws is higher than that of administrative regulations, local regulations and rules. The effect of administrative regulations is higher than that of local regulations and rules. The effect of local regulations is higher than that of the rules of local governments at the same or a lower level. The effect of local rules developed by the people's government of a province or autonomous region is higher than that of the rules developed by the people's government of a districted city or an autonomous prefecture within the administrative region of the province or autonomous region.

Where certain provisions of laws, administrative regulations, or local regulations are legally adapted in the autonomous regulations or separate regulations of an autonomous region, the provisions of the autonomous regulations or separate regulations shall apply only in the autonomous region. Where, according to empowerment, certain provisions of laws, administrative regulations, or local regulations are adapted in the regulations of a special economic zone, the provisions of the regulations of the special economic zones shall apply only in the special economic zone. The rules of different departments of the State Council shall be equally effective, as well as State Council departmental rules and the rules of local governments, and these rules shall be implemented within their respective power.

The NPC has the power to modify or revoke inappropriate laws enacted by its Standing Committee and has the power to revoke autonomous regulations or separate regulations approved by its Standing Committee that contravene the Constitution or the Legislation Law; the Standing Committee of the NPC has the power to revoke administrative regulations that contravene the Constitution or laws, has the power to revoke local regulations that contravene the Constitution or laws or administrative regulations, and has the power to revoke autonomous regulations and separate regulations approved by the standing committee of the people's congress of a province, autonomous region, or municipality directly under the central government that contravene the Constitution or the Legislation Law; the State Council has the power to modify or revoke inappropriate departmental rules or local government rules; the people's congress of a province, autonomous region, or municipality directly under the central government has the power to modify or revoke inappropriate local regulations developed or approved by its standing committee; the standing committee of a local people's congress has the power to revoke inappropriate rules developed by the people's government at the same level; the people's government of a province or autonomous region has the power to modify or revoke inappropriate local rules developed by the people's government at the next lower level; the empowering authority has the power to revoke regulations developed by the empowered authority which transcend the scope of empowerment or contravene the purpose of the empowerment, and when necessary, may revoke the empowerment.

Interpretation of law

According to the Constitution and the Legislation Law, the power to interpret a law shall be vested in the Standing Committee of the NPC. According to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law issued on June 10, 1981, in cases where the limits of articles of laws and decrees need to be further defined or additional stipulations need to be made, the Standing Committee of the NPC shall provide interpretations or make stipulations by means of decrees.

Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee of the NPC for interpretation or decision.

Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and the competent departments.

In cases where the limits of locally enacted rules and regulations need to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of the provinces, autonomous regions, and municipalities directly under the central government which have formulated these rules and regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local rules and regulations shall be provided by the competent departments under the people's governments of the provinces, autonomous regions, and municipalities directly under the central government.

Chinese judicial system

Trial organization

According to the Constitution and the Organic Law of the People's Courts of the People's Republic of China (《中華人民共和國人民法院組織法》), as issued on July 5, 1979, implemented on January 1, 1980 and latest revised on October 26, 2018, the people's courts are divided into the Supreme People's Court, the local people's courts at all levels, and the special people's courts.

The Supreme People's Court is the highest judicial organ of the State. The Supreme People's Court supervises the trials of the local people's courts at all levels and the special people's courts. The Supreme People's Court may explain the issues on the specific application of law in the trial work.

The local people's courts at various levels are divided into basic people's courts, intermediate people's courts and higher people's courts.

Basic people's courts include: people's courts of counties and autonomous counties, people's courts in cities not divided into districts and people's courts of municipal districts. A basic people's court may set up a number of people's tribunals according to the local conditions, population and cases. A people's tribunal is an integral part of the basic people's court, and its judgments and rulings shall be the judgments and rulings of the basic people's court.

The intermediate people's courts include: intermediate people's courts of municipalities directly under the jurisdiction of provinces or autonomous regions, intermediate people's courts established within municipalities directly under the central government, intermediate people's courts of autonomous prefectures and intermediate people's courts established according to prefectures in provinces or autonomous regions.

Higher people's courts include: higher people's courts of provinces, higher people's courts of autonomous regions, and higher people's courts of municipalities directly under the central government.

A people's court may set up necessary professional tribunals according to the needs of the trial work.

The setup, organization, functions and powers, and appointment and dismissal of judges of special people's courts shall be prescribed by the Standing Committee of the NPC.

Civil litigation

The Civil Procedure Law of the People's Republic of China (hereinafter referred to as Civil Procedure Law) (《中華人民共和國民事訴訟法》), as issued and implemented on April 9, 1991 and

latest revised on December 24, 2021, sets forth the procedures to be followed in lodging a civil litigation, performing judicial jurisdiction by people's courts, conducting civil litigation and the procedures for enforcing civil judgments or rulings. For civil actions conducted within the territory of the People's Republic of China, all parties involved shall comply with the Civil Procedure Law.

According to territorial jurisdiction, civil cases shall be heard by a people's court where the defendant concerned is located. The parties to a contractual dispute or any other property dispute may agree in writing to be subject to the jurisdiction of the people's court at the place having connection with the dispute, such as where the defendant is domiciled, where the contract is performed, where the contract is signed, where the plaintiff is domiciled or where the subject matter is located, etc., provided that such agreement does not violate the provisions of the Civil Procedure Law regarding the level of jurisdiction and exclusive jurisdiction.

Aliens, stateless persons and foreign enterprises and organizations that institute or respond to proceedings in a people's court shall have the same procedural rights and obligations as citizens, legal persons and other organizations of the PRC. If the courts of a foreign country impose restrictions on the civil procedural rights of citizens, legal persons and other organizations of the PRC, the people's courts of the PRC shall implement the principle of reciprocity in respect of the civil procedural rights of citizens, enterprises and organizations of that foreign country.

The parties must perform civil judgments or rulings that have become legally effective. Where a party refuses to perform a ruling or judgment, the other party may apply to the people's court for enforcement. Alternatively, a judge may transfer the case to the enforcement officer for enforcement. The parties must perform any written mediation agreement or other legal document that is enforceable by people's courts. Where a party refuses to perform such a document, the other party may apply to the people's court for enforcement. The right to apply for enforcement may be exercised within two years.

Upon receiving an application for enforcement or a document for the handover of enforcement, an enforcement officer shall issue a notice of enforcement to the person subject to enforcement and may immediately take enforcement measures. If a person subject to enforcement fails to perform the act specified in a judgment, ruling or other legal document in accordance with the notice of enforcement, the people's court may compel performance or entrust a relevant work unit or other person with such performance, at the expense of the person subject to enforcement.

If a party applies for enforcement of a legally effective judgment or ruling made by a people's court and the party subject to enforcement or his property is not located within the territory of the PRC, the applicant may directly apply for recognition and enforcement to the foreign court with jurisdiction. Alternatively, the people's court may, pursuant to an international treaty concluded or acceded to by the PRC or in accordance with the principle of reciprocity, request the foreign court to recognize and enforce the judgment or ruling.

If a legally effective judgment or ruling made by a foreign court requires recognition and enforcement by a people's court of the PRC, the party concerned may directly apply for recognition and enforcement to the intermediate people's court with jurisdiction of the PRC. Alternatively, the foreign court may, pursuant to the provisions of an international treaty concluded between or acceded to by the foreign state and the PRC, or in accordance with the principle of reciprocity, request the people's court to recognize and enforce the judgment or ruling. Having received an application or a

request for recognition and enforcement of a legally effective judgment or ruling of a foreign court, a people's court shall review such judgment or ruling pursuant to international treaties concluded or acceded to by the PRC or in accordance with the principle of reciprocity. If, upon such review, the people's court considers that such judgment or ruling neither contradicts the basic principles of the law of the PRC nor violates State sovereignty, security and the public interest, it shall rule to recognize its effectiveness. If enforcement is necessary, it shall issue an order of enforcement, which shall be implemented in accordance with the relevant provisions of the Law. If such judgment or ruling contradicts the basic principles of the law of the PRC or violates State sovereignty, security or the public interest, the people's court shall refuse to recognize or enforce the judgment or ruling.

The Company Law, the Special Regulations, and the Mandatory Provisions

The companies limited by shares that are incorporated in China and intending to list in Hong Kong Stock Exchange shall mainly comply with the following three Chinese laws and regulations:

The Company Law of the People's Republic of China (hereinafter referred to as Company Law) (《中華人民共和國公司法》) was issued by the Standing Committee of the NPC on December 29, 1993 and took effect on July 1, 1994, and revised respectively on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, and October 26, 2018. The Company Law revised at the latest was put into force on October 26, 2018.

According to Article 85 and Article 155 of the Company Law (1993 version), with approval of the securities administration of the State Council, a joint stock limited company may make a share subscription or have its stocks listed overseas, the specific regulations thereof shall be formulated by the State Council, the State Council issued and implemented the Special Regulations of the State Council on Share Offering and Listing Overseas by Joint Stock Limited Companies (hereinafter referred to as Special Regulations) (《國務院關於股份有限公司境外募集股份及上市的特別規定》) on August 4, 1994, which is applicable to the overseas share subscription and listing of joint stock limited companies.

According to Article 13 of the Special Regulations, the Securities Committee of the State Council, together with the company approval department authorized by the State Council, may provide specific stipulations concerning essential clauses in the articles of association of a company, the former Securities Commission of the State Council and the former State Economic Restructuring Commission jointly issued and implemented the Mandatory Provisions of Articles of Association of Companies Listing Overseas (hereinafter referred to as Mandatory Provisions) (《到境外上市公司章程必備條款》) on August 27, 1994, setting forth essential clauses in the articles of association of a company limited by shares which intends to seek a listing overseas. Accordingly, the Mandatory Provisions have been incorporated into the Articles of Association of the Company (the summary is attached at Exhibit VIII hereto).

According to the Official Reply of the State Council regarding Adjusting the Application of Provisions to Matters Including the Notice Period of Overseas Listed Companies for Convening Shareholders' General Meetings (Guo Han [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批復》) (國函 [2019]97 號) (hereinafter referred to as Official Reply) promulgated on October 17, 2019, for those joint stock limited company registered in China but listed overseas, the requirements for the notice period for convening a shareholders' general meeting,

shareholders' proposal right, and the procedures for convening a shareholders' general meeting shall be collectively governed by the relevant provisions of the Company Law, and no longer be governed by the provisions of Article 20 through Article 22 of the Special Regulations.

Main provisions in the Company Law, the Special Regulations, and the Mandatory Provisions that are applicable to the Company are summarized and listed below.

General provisions

A joint stock limited company sets up within the territory of the PRC according to the provisions of the Company Law. A company is an enterprise legal person, which has independent legal person property and enjoys the right to legal person property. It shall bear the liabilities for its debts with all its property. For a joint stock limited company, a shareholder shall be liable for the company to the extent of the shares he has subscribed for.

Incorporation

A joint stock limited company may be established either by way of promotion or by way of public subscription. The establishment of a company by way of promotion refers to that the promoters establish a company by subscribing for all of the shares to be issued by the company. The establishment of a company by way of public subscription refers to that the promoters establish a company by subscribing for some of the shares to be issued by the company and offering the remaining shares to the general public or to particular classes of investor. To establish a joint stock limited company, there shall not be less than two but not more than 200 promoters, of whom a majority shall be domiciled within the territory of China.

Where a joint stock limited company is established by way of promotion, its registered capital shall be the total share capital subscribed for by all of its promoters as recorded in the company registration authority. No shares shall be offered to any other person before the shares subscribed for by the promoters are paid up. Where a joint stock limited company is established by way of public subscription, its registered capital shall be the total paid-in capital as recorded in the company registration authority. Where otherwise provided for in any other laws, administrative regulations and decisions of the State Council in respect of the actual paid-in registered capital and the minimum registered capital for joint stock limited companies, the provisions thereof shall prevail.

Where a joint stock limited company is established by way of promotion, the promoters shall fully subscribe in writing for the shares and pay the corresponding capital provided for in its articles of association. In the case of capital contributions made with non-monetary assets, the promoters shall go through the relevant procedures for the transfer of property rights in accordance with the law. Any promoter who fails to make capital contributions in accordance with the provisions of the preceding paragraph shall be liable for breach of contract in accordance with the promoters' agreement. The promoters of a joint stock limited company established by way of public subscription shall subscribe for no less than 35% of the total shares unless otherwise required by any law or administrative regulation.

Where full payment has been made for any public offer of shares, the subscriptions shall be verified and certified by a lawfully established capital verification institution. The promoters shall hold a company establishment meeting composed of the promoters and subscribers within 30 days of receipt

of all subscriptions. The promoters shall notify each subscriber of or publicly announce the date of the establishment meeting no less than 15 days in advance of the establishment meeting. The establishment meeting may not be held unless promoters and subscribers representing a majority of the total shares attend. At the founding meeting, issues to be handled include the approval of the articles of association, and the election of the board of directors' members and the board of supervisors' members. A resolution of the founding meeting on abovementioned matters shall be passed by subscribers who represent more than half of the voting rights of all subscribers present at the meeting.

The board of directors shall, within 30 days after the establishment meeting ends, file a registration application with the company registration authority. Upon issuance of the business license by the company registration authority, the company limited by shares should be immediately founded officially and have corporate capacity. A joint stock limited company established by way of public subscription that makes a public offer of its stock shall, in addition to the documents referred to above, submit to the company registration authority the approval documents issued by the securities regulatory institution under the State Council.

The promoters of a joint stock limited company shall be liable as follows: (1) in the event that the company is not established, the promoters shall be jointly and severally liable for the debts and expenses incurred in pre-establishment activities; (2) in the event that the company is not established, the promoters shall be jointly and severally liable for refunding the paid-in capital of the subscribers plus interest thereon calculated at the bank interest rate for the relevant period; (3) where, in the course of establishing the company, its interests are damaged due to the negligence of the promoters, the promoters shall be liable to compensate the company.

Share capital

According to the Company Law, any issuance of shares shall be conducted with fairness and impartiality. Shares of the same class shall have the same rights and benefits. Shares of the same class issued at the same time shall be issued at the same price and shall be subject to the same conditions. The price of shares purchased by any organization or individual shall be the same. Shares may be issued at a price equal to or at a premium to their par value, but shall not be issued at a price below par value.

According to the Special Regulations and the Mandatory Provisions, a joint stock limited company shall obtain the approval of the Securities Committee of the State Council before offering its shares to given or non-given investors overseas. The shares issued offered to investors and listed overseas by joint stock limited companies (foreign capital share listed overseas) shall be in the form of registered stocks, with par value indicated in RMB and subscribed for in foreign currencies. The shares issued in foreign currency to overseas investors are overseas-listed foreign shares, while the shares issued in RMB to domestic investors are domestic shares. According to the Special Regulations, upon approval by the Securities Committee of the State Council, an agreement may be made with the underwriters in their underwriting contracts that beyond the underwriting amount, the shares may be reserved at a rate of no more than 15% of the foreign shares listed overseas to be offered.

According to the Company Law, any company that issues share certificates in registered form shall prepare a register of members, which shall record the following matters:

- (1) the name and address of each shareholder;

- (2) the number of shares held by each shareholder;
- (3) the serial numbers of share certificates held by each shareholder; and
- (4) the date on which each shareholder acquired the shares.

Increase of share capital

According to the Company Law, where a company issues new shares, a resolution on the following matters shall be made by the shareholders' general meeting: (1) Type and number of the new shares; (2) Issuing price of the new shares; (3) Commencement and ending dates for the issuance of the new shares; and (4) Class and number of the new shares to be issued to the existing shareholders.

Where any company offers new shares to the public upon the approval of the securities regulatory institution under the State Council, it shall issue a new share prospectus and financial reports, and shall produce an application for shares. A company that issues new shares may set the offer price according to its business operations and financial status. Any company that successfully completes a new offer of shares shall amend its registered details maintained by the company registration authority and make a public announcement thereon.

Reduction of share capital

According to the Company Law, where a company finds it necessary to reduce its registered capital, it must prepare its balance sheet and schedule of assets. The reduction shall be approved by the shareholders representing more than two-thirds of the voting rights of all shareholders present at the shareholders' general meeting. The company shall, within ten days of the date on which it decides to reduce its registered capital, notify its creditors and make a public announcement about the proposed reduction in capital in a newspaper within 30 days of the date on which it decides to reduce its registered capital. Any creditor shall, within 30 days of receipt of such a notice or, where it does not receive a notice, within 45 days of the date of the public announcement, be entitled to require the company to repay its debt in full or to provide a corresponding guaranty. Where a company reduces its registered capital, the company shall handle relevant procedures for change with the company's registration authority in accordance with the law.

Redemption of shares

According to the Company Law, no company shall purchase its own shares other than in any of the following circumstances: (1) where a company reduces its registered capital; (2) where the company plans to merge with a company which is one of its existing shareholders; (3) where the company plans to use shares for employee stock ownership plan or equity incentives; (4) where a shareholder requests the company to purchase the shares held by him since he objects to a resolution of the shareholders' general meeting on the combination or division of the company; (5) where the company plans to use shares for converting convertible corporate bonds issued by the listed company; (6) where it is necessary for a listed company to protect the corporate value and the rights and interests of shareholders.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) of the preceding paragraph shall be subject to a resolution of the shareholders' general meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and

(6) of the preceding paragraph may, pursuant to the bylaws or the authorization of the shareholders' general meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present. After purchasing its own shares pursuant to the provisions above, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

Transfer of shares

According to the Company Law, shareholders may transfer their shares in accordance with the law. Any transfer of shares by a shareholder shall be carried out via a lawfully established stock exchange or by any other means prescribed by the State Council. A transfer of registered stock shall be effected by way of a shareholder's endorsement or by any other means prescribed by the relevant laws or administrative regulations. Following any transfer, the company shall record the name and address of the transferee in the register of members. The register of members may not be modified within the 20 days preceding any shareholders' general meeting or within five days preceding any ex-dividend date fixed by the company. Any law that provides otherwise in relation to the amendment of details recorded in the register of members of a listed company shall prevail over the provisions of this Article. Any transfer of stock issued in bearer form shall take effect immediately on delivery of the share certificate to the transferee by the shareholder. According to the Mandatory Provisions, within 30 days before the shareholders' general meeting is held, or within five days prior to the benchmark date determined by the company for dividend distribution, the formalities for change of registration of the shareholder register due to stock transfer shall not be carried out.

According to the 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.

Shareholders

Under the Company Law and the Mandatory Provisions, a shareholder of ordinary shares of a company shall have the rights:

- (1) to receive the distribution of dividends and other forms of profits in proportion to the shares it holds in the company;
- (2) to attend or entrust an agent to attend shareholders' general meeting and to exercise the voting right;

- (3) to supervise and manage business operations of the company and to raise proposals or inquiries;
- (4) to transfer the shares under laws, administrative regulations and the articles of association;
- (5) to be informed under articles of association;
- (6) when the company is terminated or liquidated, to receive distribution of remaining property of the company in proportion to the shares the shareholder holds in the company;
- (7) to exercise other rights granted under laws, administrative regulations and the articles of association.

A shareholder of ordinary shares of a company shall have the obligations:

- (1) to comply with articles of association;
- (2) to pay for the shares the shareholder has subscribed for according to its subscription mode;
- (3) to fulfill other obligations imposed under laws, administrative regulations and the articles of association.

A shareholder is not required to be liable for any additional capital other than the condition agreed upon by the subscriber at the time of subscription.

Shareholders' general meetings

Under the Company Law and the Mandatory Provisions, the shareholders' general meeting of a company shall exercise the following powers:

- (1) to determine the company's operation guidelines and investment plans;
- (2) to elect and replace the directors, and decide the remuneration for the directors;
- (3) to elect and replace the supervisors who also serve as shareholders, and decide the remuneration for such supervisors;
- (4) deliberate on and approve reports of the board of directors;
- (5) deliberate on and approve reports of the board of supervisors;
- (6) deliberate on and approve annual budgets and final accounts of the company;
- (7) deliberate on and approve the company's profit distribution plans and loss recovery plans;
- (8) to decide on resolutions concerning increase or decrease of registered capital of the company;
- (9) to decide on resolutions concerning matters such as company merger, division, dissolution or liquidation;
- (10) to decide on resolutions concerning the issuance of bonds of the company;
- (11) to decide on resolutions concerning appointment, removal or discontinuation of further service of an accounting firm for the company;
- (12) to revise the articles of association of the company;

- (13) to deliberate on any proposal made by the shareholders representing at least 5% of voting shares of the company;
- (14) other issues on which the shareholders' general meeting shall make resolutions according to laws, administrative regulations and articles of association.

Shareholders' general meeting include annual shareholders' general meeting and extraordinary general meeting, and shall be called upon by the board of directors. Annual shareholders' general meeting shall be held annually within six months after the end of the prior accounting year. Under any of the following circumstances, an extraordinary general meeting shall be held within two months:

- (1) Where the number of directors is less than two-thirds of the number specified in the company's articles of association or minimum number required by the Company Law or;
- (2) Where the unrecovered losses of the company amount to one-third of the total share capital;
- (3) Where the shareholders holding at least 10% of the outstanding voting shares in the company request in writing to hold the extraordinary general meeting;
- (4) where the extraordinary general meeting is held as the directors deems necessary or the supervisors so require;
- (5) in any other circumstance specified in articles of association.

Under the Company Law, a shareholders' general meeting shall be convened by the board of directors and shall be presided over by the chairman of the board of directors. Where the chairman is unable or fails to perform his duties, the meeting shall be presided over by the deputy chairman of the board of directors. Where the deputy chairman of the board of directors is unable or fails to perform his duties, the meeting shall be presided over by a director nominated by a majority of the directors. Where the board of directors is unable or fails to fulfill its obligations to convene a shareholders' general meeting, the board of supervisors shall convene and preside over the meeting. Where the board of supervisors does not convene or preside over the meeting, a shareholder who holds or shareholders who together hold 10% or more of the company's shares for 90 consecutive days or more may convene and preside over the meeting on his or their own initiative.

According to the Official Reply, for those joint stock limited company registered in China but listed overseas, the requirements for the notice period for convening a shareholders' general meeting, shareholders' proposal right, and the procedures for convening a shareholders' general meeting shall be collectively governed by the relevant provisions of the Company Law under which shareholders shall be notified no less than 20 days in advance of a shareholders' general meeting of the time and place of the meeting and the matters to be considered at the meeting, and shareholders shall be notified no less than 15 days in advance of an extraordinary general meeting. The Company Law does not provide for the quorum of a shareholders' general meeting.

Under the Company Law, Other than shares registered in the name of the company, which shall have no voting rights attached, each share shall have one vote at a shareholders' general meeting.

The shareholders' general meeting may adopt a cumulative voting system for the election of directors and supervisors pursuant to the articles of association or by way of a resolution made at its meeting. For the purpose of the Law, the term "cumulative voting system" refers to a voting system

whereby shareholders can multiply their voting rights by the number of candidates and cast their votes for one candidate for director or supervisor.

Under the Company Law and the Mandatory Provisions, resolutions of a shareholders' general meeting include ordinary resolutions and special resolutions. An ordinary resolution shall be passed with more than half of the voting rights held by the shareholders (including the proxies of shareholders) present at the meeting. A special resolution shall be passed with more than two-thirds of the voting rights held by the shareholders (including the proxies of shareholders) present at the meeting.

Ordinary resolutions of a shareholders' general meeting shall be made on: (1) work reports of the board of directors and the board of supervisors; (2) proposed profit distribution plans and loss recovery plans by the board of directors; (3) dismissal of directors and supervisors and their remuneration and payment; (4) annual budgets and final settlement reports, balance sheets, profit statements and other financial statements of the company; (5) other matters except those required to be determined in special resolutions under laws, administrative regulations or the articles of association.

Special resolutions of a shareholders' general meeting shall be made on: (1) increase and decrease of capital, and issuance of any stock, warrant and other similar securities, of the company; (2) issuance of bonds of the company; (3) split-up, merge, dissolution and liquidation of the company; (4) amendments to the articles of association; (5) other matters that, as determined in ordinary resolutions of a shareholders' general meeting, have material impact on the company that they need to be determined in special resolutions.

According to the Company Law, the shareholders' general meeting shall take minutes of decisions made on matters discussed at its meetings. The chair of the meeting and directors present shall sign the minutes, which shall be retained together with a list of signatures of shareholders present and any powers of attorney in case of proxy.

Under the Mandatory Provisions, shareholders holding different classes of shares are classified shareholders. The classified shareholders shall have corresponding rights and obligations according to laws, administrative regulations and the articles of association. To change or remove any right of classified shareholders, such change or removal shall be approved by a special resolution at a shareholders' general meeting or approved at a shareholders' general meeting convened by the affected classified shareholders according to the Mandatory Provisions. To this end, domestic capital shareholders and H shareholders shall be deemed as different classified shareholders.

Board of directors

According to the Company Law, a joint stock limited company shall establish the board of directors, members of which shall range from five to nineteen. The board of directors may include employee representatives. Employee representatives who serve as board directors shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise.

The term of office of directors shall be specified by the articles of association, but in any case shall not exceed three years. Any director may, upon the expiration of his term of office, hold the directorship in consecutive terms if re-elected. Where the re-election of directors is not held in time after the term of office of the existing directors has expired, or where the number of members of the

board of directors falls below the quorum due to the resignation of any director during his term of office, the original director shall, before the newly-elected director assumes his post, carry out duties as a director in accordance with the laws, administrative regulations and articles of association.

According to the Company Law and the Mandatory Provisions, the board of directors shall be responsible to the shareholders' general meeting and shall exercise the following functions and powers:

- (1) convene meetings of the shareholders' general meeting and report to the shareholders' general meeting on its work;
- (2) execute resolutions of the shareholders' general meeting;
- (3) determine the company's operational plans and investment plans;
- (4) formulate the company's annual budgets and final accounts;
- (5) formulate the company's profit distribution plans and loss recovery plans;
- (6) formulate the company's plans on the increase or reduction of its registered capital and on the issuance of corporate bonds;
- (7) formulate the company's plans on the combination, division, dissolution or transformation of the company;
- (8) make decisions on the establishment of the company's internal management departments;
- (9) to appoint or dismiss general manager of the company; appoint or dismiss, upon the general manager's recommendation, deputy general managers of the company and financial principal; and determine their remunerations;
- (10) develop the company's basic management system;
- (11) to work out plans on amending the articles of association.

Where a board of directors decides the abovementioned matters, except that the matters in Items (6), (7) and (11) shall be decided by more than two-thirds of the directors, the matters may be determined by more than half of the directors.

Board Meetings

Under the Company Law and the Mandatory Provisions, the board of directors shall convene no less than two meetings per year and shall notify all directors and supervisors no less than ten days in advance of the meeting. A proposal to hold an interim meeting of the board of directors may be put forward by shareholders representing one tenth or more of the voting rights, or by one-third or more of the directors or supervisors. The chairman of the board of directors shall, within ten days of receiving such a proposal, call and preside over a meeting of the board of directors. Where the board of directors holds an interim meeting, it may separately decide the method of and time limit applicable to notifications about meetings of the board of directors.

No meeting of the board of directors may be held unless a majority of directors are present. Any board resolution shall be adopted by a majority of directors. Each director shall have one vote in any resolution put to a vote of the board of directors. Directors shall attend meetings of the board of directors in person. Where any director is unable to attend the meeting for any reason, he may issue a written proxy appointing another director to attend the meeting on his behalf and stating the scope of his authorization.

The board of directors shall take minutes of decisions made on matters discussed at its meetings, which shall be signed by directors present. Directors shall be responsible for resolutions of the board of directors. Where a resolution of the board of directors violates any law, administrative regulation, articles of association, or any resolution of the shareholders' general meeting and causes any serious loss to the company, the directors who participated in adopting the resolution shall compensate the company. Where a director is proven to have raised an objection to the relevant resolution and his objection is recorded in the minutes, the director may be exempted from liability.

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing the duties, a director nominated by more than half of the directors shall perform the duties.

Eligibility of directors

Under the Company Law and the Mandatory Provisions, whoever is under any of the following circumstances is not allowed to assume the post of a director:

- (1) any person who does not have civil capacity or who has limited civil capacity;
- (2) any person who has been convicted of any criminal offense in the nature of corruption, bribery, disseizin, misappropriation or disrupting the economic order of the socialism market and five years have not elapsed since any penalty imposed has been completed, or any person who has ever been deprived of his political rights due to any crime and five years have not elapsed since the penalty imposed was completed;
- (3) any former director, factory director or manager of a company or enterprise which has been declared bankrupt and liquidated in circumstances where he was personally responsible for the bankruptcy of the company or enterprise, and three years have not elapsed since the bankruptcy and liquidation of the company or enterprise was completed;
- (4) any former legal representative of a company or enterprise which has had its business license revoked and has been ordered to close its business operations due to any violation of law in circumstances where the former legal representative was personally liable for the revocation of the business license and three years have not elapsed since the date of revocation;
- (5) any person who has significant unpaid due debts;
- (6) The person is under juridical investigation for any violation of criminal law, which is pending;
- (7) The person cannot hold the post of company leader under laws or administrative regulations;
- (8) The person is a non-natural person;

- (9) The person, as confirmed by competent authorities, has violated securities regulations or was involved in any other fraud or dishonesty behavior, where less than five years have elapsed since the date of confirmation.

The validity of an action taken with regard to a bona fides third party by a director for and on behalf of a company will not be affected by any noncompliance in his or her capacity, election or eligibility.

Board of supervisors

According to the Company Law and the Mandatory Provisions, a joint stock limited company shall have the board of supervisors comprised of no less than three members. The board of supervisors shall include shareholders' representatives and an appropriate proportion of employee representatives. The proportion of employee representatives shall be specified in the articles of association but in any event shall account for no less than one-third of the supervisors appointed. The representatives of the shareholders shall be elected and dismissed by a shareholders' general meeting, and the representatives of the staff members shall be elected and dismissed democratically through a staff representative assembly, general staff meeting, or in other forms.

The directors, managers, CFO and other senior executives shall not concurrently serve as supervisors in a company.

The board of supervisors shall have one chairman and may have a deputy chairman. The chairman and deputy chairman shall be elected by a majority of supervisors. According to the Letter of the Overseas Listing Department of the China Securities Regulatory Commission and the Production System Department of the State Commission for Restructuring the Economic System on Opinions concerning the Supplement and Amendment to Articles of Association by Companies to be Listed in Hong Kong (Zheng Jian Hai Han [1995] No. 1) (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》) (證監海函[1995]1號), appointment or removal of the president of the board of supervisors shall be adopted by affirmative voting of more than two-thirds of members of board of supervisors.

The chairman of the board of supervisors shall call and preside over meetings of the board of supervisors. Where the chairman of the board of supervisors is unable or fails to perform his duties, the deputy chairman of the board of supervisors shall call and preside over meetings of the board of supervisors. Where the deputy chairman of the board of supervisors is unable or fails to perform his duties, a supervisor nominated by a majority of supervisors shall call and preside over meetings of the board of supervisors.

The term of office of a supervisor shall be three years. Any supervisor may, upon the expiration of his term of office, hold the supervisor's post in consecutive terms if re-elected. Where the re-election of a supervisor is not held in time after the expiration of the term of office of the existing supervisor, or where the number of members of the board of supervisors falls below the quorum due to the resignation of any supervisor during his term of office, the original supervisor shall, before the newly-elected supervisor assumes his post, carry out duties as a supervisor in accordance with the relevant laws, administrative regulations and articles of association.

The board of supervisors which is responsible for the shareholders' general meeting shall exercise the following functions according to law:

- (1) to inspect the financial affairs of the company;
- (2) to supervise the duty-related acts of the directors, managers and other executives in violation of the laws, administrative regulations and the articles of association;
- (3) to require any director or senior officer to take corrective action where his actions damage the interests of the company;
- (4) to check financial materials such as accounting reports, business reports and plans for profit distribution that the board of directors plans to submit to the shareholders' general meeting, and appoint certified public accountants and auditors to provide assistance to recheck on behalf of the company in case of any problem;
- (5) to propose to hold extraordinary general meeting;
- (6) to negotiate with directors or bring an action against directors for and on behalf of the company;
- (7) to exercise other functions and powers stipulated in articles of association.

Supervisors will be present without voting right at the meetings of board of directors.

Supervisors may attend meetings of the board of directors as non-voting attendees, and may raise questions or put forward suggestions about matters to be decided by the board of directors. The board of supervisors find that the company is running abnormally, they may commence an investigation. The expenses incurred due to employment of lawyers, certified public accountants, auditors and other professionals when the board of supervisors exercises its power shall be assumed by the company.

Manager and executives

According to the Company Law and the Mandatory Provisions, a company may have one manager, who shall be appointed or dismissed by its board of directors. The manager shall be responsible to the board of directors and shall exercise the following functions and powers:

- (1) to direct the production and operation management of the company and organize the implementation of the resolutions made by the board of directors;
- (2) organize the implementation of the company's annual operational plans and investment plans;
- (3) draw up plans on the establishment of the company's internal management departments;
- (4) draw up the company's basic management system;
- (5) formulate the company's specific rules and regulations;
- (6) propose the appointment or dismissal of the company's any deputy manager and financial principal;
- (7) decide on the appointment or dismissal of executive personnel other than those whose appointment or dismissal is to be decided by the board of directors;

- (8) perform other functions and powers granted by the articles of association and the board of directors.

The manager shall attend meetings of the board of directors. The board of directors of a company may appoint one of its members to serve concurrently as the manager of the company. The manager who is not a director shall have no voting right at the meeting. The manager shall persist in honesty and good faith, and perform assiduous obligations as per provisions of laws, administrative regulations and the articles of association, when exercising duties and powers.

According to the Company Law, a senior officer refers to any manager, deputy manager, financial principal, secretary to the board of directors of a listed company, or any other person specified in the articles of association.

Obligations of directors, supervisors and executives

According to the Company Law, the directors, supervisors and senior officers of a company shall comply with laws, administrative regulations, and the articles of association and shall owe duties of fidelity and due diligence to the company.

No director, supervisor or senior officer may take any bribe or other illegal gain by taking advantage of his position or misappropriate company assets for personal use. No director or senior officer may:

- (1) misappropriate company funds;
- (2) divert company funds into an account held in his own name or in the name of any other individual;
- (3) loan company funds or provide any guaranty to any other person by using company property in violation of the articles of association without first obtaining the consent of the shareholders' general meeting or the board of directors;
- (4) become a party to any contract or business dealings with the company in violation of the articles of association without first obtaining the consent of the shareholders' general meeting;
- (5) seek business opportunities for himself or for any other person by taking advantage of his position, or operate on his own behalf or on behalf of any other person any business similar in nature to that of the company, without first obtaining the consent of the shareholders' general meeting;
- (6) personally accept any commission on any transaction to which the company is a party;
- (7) unlawfully disclose confidential company information;
- (8) act in any way that is inconsistent with his duty of fidelity to the company.

Any income received by any director or senior officer in violation of this Article shall be treated as the property of the company.

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.

Where the shareholders' general meeting requires any director, supervisor or senior officer to attend the meeting as a non-voting attendee, he shall do so and shall answer the shareholders' inquiries.

The directors and senior managers shall faithfully offer relevant information and materials to the board of supervisors or the supervisor of a limited liability company that does not have a board of supervisors, none of them may impede the board of supervisors or supervisor from exercising their powers. Where a director or executive violates laws, administrative regulations or the articles of association while performing duties, the shareholder who holds, or the shareholders who jointly hold, more than one percent of the shares in the company limited by shares for more than 180 consecutive days, may request in writing to the board of supervisors to bring an action against such person before a people's court; provided that if a supervisor violates laws, administrative regulations or the articles of association while performing duties, the abovementioned shareholder(s) may request in writing to the board of directors to bring an action against such person before a people's court.

Finance and accounting

As per the Company Law and the Mandatory Provisions, the financial accounting system of a company shall be formulated in accordance with provisions of laws, administrative regulations and Chinese accounting standards formulated by the competent financial department of the State Council. Financial statements shall be prepared at the end of each accounting year and reviewed in accordance with law. The board of directors shall, at the annual shareholders' general meeting, submit to shareholders the financial reports prepared by the company as required by relevant laws, administrative regulations, and regulatory documents enacted by local governments and competent departments.

The financial report of 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. A company listed in Hong Kong shall at least send the said report to all shareholders of foreign-funded shares listed overseas by prepaid post. The recipient address shall be the one recorded in the shareholder register.

Financial statements of a company shall be prepared in accordance with the Chinese accounting standards and regulations as well as the international accounting standards or the accounting standards of the country or region overseas where the company is listed. Any significant discrepancy between the financial statements prepared respectively pursuant to the two aforementioned standards shall be specified in the notes of the financial statements. The company distributes its after-tax profit of the current accounting year based on the after-tax profit of the two statements, whichever is smaller. The company shall announce or disclose the interim performance or financial materials prepared in accordance with the Chinese accounting standards and regulations as well as the international accounting standards or the accounting standards of the country or region overseas where the company is listed.

According to the Company Law, where a company distributes its after-tax profits for the current financial year, it shall draw 10% of its profits as the company's statutory common reserve, provided that a company with an aggregate common reserve of more than 50% of the company's registered capital may elect not to draw any statutory common reserve any more. Where the aggregate balance of the company's statutory common reserve is insufficient to cover any loss the company made

in the previous financial year, the current financial year's profits shall first be used to cover the loss before any statutory common reserve is drawn therefrom in accordance with the provisions of the preceding paragraph. Where any company has drawn a statutory common reserve from its after-tax profits, it may, subject to a resolution of the shareholders' general meeting, draw a discretionary common reserve from its after-tax profits. Where losses have been covered and the statutory and discretionary common reserves have been drawn, the remaining after-tax profit of a company limited by shares shall be distributed in proportion to the shares held by each shareholder, unless otherwise specified in its articles of association. Where the shareholders' general meeting or board of directors distributes profits in violation of the provisions of the preceding paragraph before losses are covered and the statutory common reserve is drawn, the profits distributed must be returned to the company. No profit may be distributed for shares held by the company itself.

Any stock premium received by a joint stock limited company from the issuance of stock at a premium to par and any other income to be included in the capital reserve account under any relevant provisions of the finance department under the State Council shall be recorded as the company's capital reserve.

A company's common reserves shall be used to cover losses made in past years, to enhance the company's productivity and expand its business or to increase its registered capital; however, a company's capital reserve shall not be used to cover the company's losses. Where the statutory common reserve is converted into capital, the value of the remaining common reserve shall be no less than 25% of the company's registered capital prior to the conversion.

A company shall not maintain any set of accounts that differs from its statutory accounting books. No company assets may be held in any account opened in the name of any individual.

Engagement with accounting firms and termination of engagement

The Company Law provides that any proposed appointment or dismissal of an accounting firm as the company's auditor shall be subject to a resolution of the shareholders' general meeting or of the board of directors in accordance with the provisions of the articles of association. Any meeting of the shareholders' general meeting or meeting of the board of directors that votes to dismiss any accounting firm as its auditor shall allow the accounting firm to express its own opinions. A company shall provide the accounting firm appointed as its auditor with accurate and complete accounting documents and books, financial reports, and other accounting information, and may not refuse to do so or conceal any such accounting records or make any false statement to its auditor.

As per the Special Regulations and the Mandatory Provisions, a company shall engage an independent accounting firm that complies with relevant regulations of the state to audit the annual report of the company and review other financial reports of the company. The term of engagement shall begin at the closing of the company's annual shareholders' general meeting of the current year, and end at the closing of the annual shareholders' general meeting of next year.

Profit allocation

As per the Company Law, a company shall not distribute profit before covering losses and accruing statutory common reserve fund. The Special Regulations require the payment of dividends and other allocations to the shareholders of foreign-funded shares listed overseas shall be distributed

and calculated in RMB, and paid in a foreign currency. The company shall delegate an agent of collection for the shareholders of foreign-funded shares listed overseas in accordance with the Mandatory Provisions.

Amendment of articles of association

As per the Company Law, any resolution made at a shareholders' general meeting on the amendment to the company's articles of association shall be adopted by the shareholders representing more than two-thirds of the voting rights at the meeting. The Mandatory Provisions provides that the company may modify the company's articles of association in accordance with provisions of law, administrative regulations and the company's articles of association. Any amendment to the articles of association, in the case of concerning the Mandatory Provisions, shall come into force as of the approval of the company's auditing department authorized by the State Council and Securities Committee of the State Council; and, in the case of concerning company registration, shall register the modification in accordance with law.

Dissolution and liquidation

As per the Company Law and the Mandatory Provisions, a company should be dissolved for any of the following reasons: (1) the term of operation expires; (2) the shareholders' general meeting resolves to dissolve the company; (3) dissolution of the company is necessary due to any combination or division to which the company is a party; (4) the company is declared bankrupt in accordance with law for inability to pay off the debts due; (5) the business license is canceled, or it is ordered to close down or to be dissolved according to laws; (6) the company is ordered to close down in accordance with law for violation of laws and administrative regulations; or (7) where a company faces material difficulty in operation 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.

In the case of reason (1), a company may nevertheless continue in existence by amending its articles of association. As per the preceding regulation, any amendment to the articles of association shall be adopted by shareholders representing more than two-thirds of voting rights at the shareholders' general meeting.

Where the company is dissolved for reason (1), (2), (5) or (6), a liquidation group shall be formed within fifteen days of the date on which the circumstances leading to the dissolution of the company occurred in order to effect the liquidation. Where a liquidation group is not formed within the time limit specified, the company's creditors may petition the people's court to appoint appropriate individuals to form a liquidation group. The people's court shall approve such a petition and form a liquidation group in order to liquidate the company in a timely manner.

Where the company is dissolved for reason (4), the competent people's court shall, in accordance with relevant laws, organize the shareholders, relevant authorities and relevant professionals to form a liquidation group for liquidation. Where the company is dissolved for reason (6), the competent authorities shall organize the shareholders, relevant authorities and relevant professionals to form a liquidation group for liquidation.

A liquidation group shall exercise the following functions and powers during the course of the liquidation:

- (1) liquidate the company's assets and produce a balance sheet and schedule of assets;
- (2) notify the company's creditors by way of notice or public announcement;
- (3) manage and clear the remaining business of the company;
- (4) pay outstanding taxes and any tax liability incurred in the course of the liquidation;
- (5) liquidating the claims and the debts of the company;
- (6) dispose of the company's residual assets; and
- (7) represent the company in any civil litigation to which it is a party.

A liquidation group shall, within ten days of its formation, notify the company's creditors of its formation, and shall make a public announcement at least three times in a newspaper on the formation of a liquidation group within 60 days of its formation. Any creditor shall, within 30 days of receipt of a notice or within 45 days of the public announcement in the event that the relevant creditor does not receive a notice, make a claim to the liquidation group on the debt owed to him. In making a claim for any debt outstanding, a creditor shall describe the relevant details and provide supporting evidence. The liquidation group shall record all debts claimed. The liquidation group may not repay any creditor during the debt claim period.

A liquidation group shall, after liquidating the assets of the company and producing a balance sheet and schedule of assets, draft a liquidation plan and present it to the shareholders' general meeting or to the people's court for confirmation (or competent authorities in accordance with the Mandatory Provisions) for confirmation.

Any remaining assets after payment of liquidation expenses, employee wages, social insurance premiums and statutory indemnity premiums, outstanding taxes and outstanding debts may, shall be distributed on a pro rata basis in accordance with the respective proportion of stock held by each shareholder.

A company in liquidation shall continue in existence during the course of the liquidation but may not conduct any new business unconnected with the liquidation. No company assets may be distributed to any shareholder before being applied as described in the previous paragraph.

Where, after liquidating the assets of a company and formulating a balance sheet and schedule of assets, a liquidation group finds that the company's assets are insufficient to meet its obligations in full, it shall file a bankruptcy petition with the people's court. Where the people's court declares the company bankrupt, the liquidation group shall hand over administration of the liquidation to the people's court.

On completion of any company liquidation, the liquidation group shall draft a liquidation report and submit it to the shareholders' general meeting or to the people's court for confirmation, and shall submit it to the company registration authority to apply for the cancelation of the registration of the company. The liquidation group shall also make a public announcement about the fact that the company has been terminated. As per the Mandatory Provisions, after the completion of the liquidation

of a company, the liquidation group shall prepare a liquidation report as well as the statement and financial account book of receipts and disbursements during the period of liquidation. The said report, statement and account book shall be submitted to the shareholders' general meeting or competent authorities for confirmation upon review by certified public accountants of China. The liquidation group shall, within 30 days from the confirmation of shareholders' general meeting and competent authorities, deliver the aforementioned documents to the company registration authority for the purpose of applying for the deregistration of the company and the public announcement on the termination of the company.

Overseas listing

As per the Special Regulations, joint stock limited companies may issue their stocks to given or non-given investors and list them overseas with the approval of the Securities Committee of the State Council. The board of directors may make separate arrangements for the plan of issuing and listing foreign capital stocks and domestic capital stocks approved by the Securities Committee of the State Council. Plans for the issuance and listing of foreign capital stocks and domestic capital stocks formulated in accordance with provisions set forth in the preceding paragraph may be executed separately within 15 months starting from the approval date given by the Securities Committee of the State Council.

Lost stocks

Where any registered stocks are stolen, lost or damaged, the shareholder concerned may, pursuant to the procedures of public notice for assertion of claim provided for in the Civil Procedure Law request a competent people's court to declare the stocks invalid. After the people's court has so declared, the said shareholder may apply to the company concerned for re-issuance of the stocks.

The Mandatory Provisions set forth special regulations on the loss of stocks by shareholders of foreign-funded shares listed overseas and H stocks, and those provisions are incorporated into the company's articles of association.

Merger and division

As per the Company Law and the Mandatory Provisions, the board of directors of a company shall propose a plan on merger or division of the company and proceed with relevant review formalities in accordance with law if the plan is approved pursuant to the company's articles of association. Shareholders against the plan shall be entitled to request the company or shareholders for the plan to buy their shares at a fair price. The content of the resolution on merger or division shall be incorporated in a special document available for the shareholders. The said document shall also be sent, by post, to shareholders of foreign-funded shares listed overseas of a company listed in Hong Kong.

A corporate combination may be effected by merger or consolidation. To carry out a corporate combination, parties to the combination shall conclude an agreement with each other and formulate balance sheets and schedules of assets. The parties to a combination shall, within 10 days of making the resolution on combination, notify their respective creditors and, within 30 days, make at least three public announcements in a newspaper. Any creditor may, within 30 days of receiving the said notice

or, in the event that the creditor does not receive such a notice, within 45 days as of the issuance of the said public announcement, require the company to repay its debts in full or to provide a corresponding guaranty. In any corporate combination, the claims and debts of the parties to the combination shall be succeeded by the company that survives the combination, or by the newly-established company in case of a consolidation.

In a corporate division, the assets of any company shall be divided accordingly. The parties thereto shall conclude a merger agreement and prepare the balance sheet and a list of property. The company shall inform its creditors within 10 days of the date on which the decision to proceed with the division is made, and shall make at least three public announcements about the division proposal in a newspaper within 30 days of the date on which the decision to proceed with the division is made. Unless otherwise agreed by the company and its creditors in any written agreement regarding the repayment of company debts concluded prior to any division, the companies that result from the division shall be jointly and severally liable for the existing debts of the company.

Where, as a result of any corporate combination or division to which a company is a party, any of the company's registered details change, the company shall amend its registered details with the company registration authority. In the event that any company that is a party to a combination or division is dissolved, it shall be deregistered in accordance with the law. In the event that any new company results from any combination or division, it shall comply with the procedures for establishment of a company as provided by law.

Laws and regulations on securities

China has enacted several laws and regulations on the issuing and trading of shares and disclosure of information. In October 1992, the State Council established Securities Committee of the State Council and China Securities Regulatory Commission (hereinafter referred to as CSRC). The Securities Committee of the State Council is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the future of security market, instructing, coordinating and supervising all security-related authorities, and managing the CSRC. The CSRC is the executive body of the Securities Committee. It fulfills its function to draft regulatory rules on security market, to supervise securities companies, public offering of securities of Chinese companies in the PRC and overseas, and trade of securities, to compile statistics material related to securities, and to conduct relevant research and analysis. The State Council consolidated the two departments and reformed the CSRC in April 1998.

The State Council enacted and implemented the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) on April 22, 1993 to regulate the issuing and trading of stocks, acquisition of listed company, preservation, liquidation and transfer of listed stocks, and information disclosure, investigation, punishment and dispute arbitration of the listed company.

The State Council enacted 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》) on December 25 1995 mainly for the purpose of standardizing the issue and transactions of foreign shares domestic listed by joint stock limited companies.

On December 29, 1998, the Standing Committee of the NPC passed the Securities Law of the People's Republic of China (hereinafter referred to as Securities Law) (《中華人民共和國證券法》) which became effective as of July 1, 1999 and was amended on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014, and December 28, 2019. It is the first national securities law in China, and is composed of 14 chapters and 226 articles covering the regulation of issuing and trading of securities, acquisition of listed companies, obligation and responsibility of stock exchanges, security companies and the security regulatory authorities of the State Council, etc. The Securities Law regulates the activities of the Chinese securities market from all aspects.

Article 224 of the Securities Law stipulates that where a domestic enterprise directly or indirectly offers securities abroad or has its securities listed and traded abroad, the relevant provisions issued by the State Council shall be complied with. At present, the issuing and trading of shares issued overseas (H shares included) is principally subject to the rules enacted by the State Council and the CSRC.

Arbitration and enforcement of arbitration awards

The Arbitration Law of the People's Republic of China (hereinafter referred to as Arbitration Law) (《中華人民共和國仲裁法》) was adopted by the Standing Committee of the NPC on August 31, 1994, came into effect on September 1, 1995, and was respectively revised on August 27, 2009 and September 1, 2017. The arbitration Commission may formulate provisional arbitration rules in accordance with the Arbitration Law and the relevant provisions of the Civil Procedure Law before the formulation of the arbitration rules by the China Arbitration Association. The parties settling disputes by means of arbitration shall reach an arbitration agreement on a mutually voluntary basis. An arbitration commission shall not accept an application for arbitration submitted by one of the parties in the absence of an arbitration agreement. A people's court shall not accept an action initiated by one of the parties if the parties have concluded an arbitration agreement, unless the arbitration agreement is invalid.

The arbitration clauses shall be included in the issuer's articles of association pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as Hong Kong Listing Rules) (《香港上市規則》) and the Mandatory Provisions, and in the contract between the issuer and each director and supervisor pursuant to the former so that an arbitration is available in case of any dispute and claim between a H-share holder and: (1) the issuer; (2) the directors, supervisors, managers or other senior management members of the issuer; and (3) holders of domestic shares. The arbitration matter refers to any dispute or claim of rights that is related to company affairs and arises from the rights and obligations stipulated in the articles of association, the Company Law, and other applicable laws and administrative regulations.

When the aforesaid dispute or claim of rights is submitted for arbitration, it shall constitute the entire claim or dispute, and all persons who have a cause of action based on the same facts giving rise to such dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall, where such person is a company or any shareholder, director, supervisor, or other senior management member of a company, submit to the arbitration.

Dispute in respect of the definition of shareholders and dispute in relation to the register of shareholders may not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at China International Economic and Trade Arbitration Commission (hereinafter referred to as CIETAC) in accordance with its Rules or the Hong Kong International Arbitration Center (hereinafter referred to as HKIAC) in accordance with its Securities Arbitration Rules. Once a claimant submits a dispute or claim to arbitration, the other party must submit to the arbitrary body selected by the claimant. If a claimant refers the arbitration to HKIAC, any party involved in the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC.

Pursuant to the Arbitration Law and the Civil Procedure Law, the arbitration award shall be final and conclusive and binding on all parties. The parties shall execute an arbitration award. If one party fails to execute the award, the other party may apply to a people's court for enforcement in accordance with the relevant provisions of the Civil Procedure Law, and the court shall enforce the award.

Where the party against whom the application is made presents evidence that the arbitral award falls under any of the following circumstances, the people's court shall, after examination and verification by a collegiate bench formed by the people's court, rule to deny execution: (1) the parties have neither included an arbitration clause in their contract, nor subsequently reached a written arbitration agreement; (2) the matters decided in the award exceed the scope of the arbitration agreement or are beyond the arbitral authority of the arbitration institution; (3) the composition of the arbitral tribunal or the arbitration procedure did not conform to statutory procedure; (4) the evidence used as a basis for rendering an award is fabricated; (5) the other party to the case conceals important evidence, which is substantial enough to affect the impartial ruling by the arbitration institution; (6) one or several arbitrators acts corruptly, accepts bribes or engages in malpractice for personal benefits or made an award that perverted the law. If a people's court holds that the enforcement of an arbitration award is contrary to the public interest, the people's court shall issue a ruling not to enforce the award.

On December 2, 1986, the Standing Committee of the NPC passed a resolution to accede to the Convention on the Recognition and Enforcement of Foreign arbitrary Awards (hereinafter referred to as New York Convention) (《承認及執行外國仲裁裁決公約》) adopted on June 10, 1958. The New York Convention stipulates that each Contracting State shall recognize arbitrary awards as binding and enforce them in accordance with the rules of procedure of the territory where the award is relied upon, under the conditions laid down in the following articles. There shall be no substantially more onerous conditions or higher fees or charges imposed on the recognition or enforcement of arbitrary awards to which this Convention applies than those imposed on the recognition or enforcement of domestic arbitrary awards. Recognition and enforcement of an arbitrary award may also be refused if the competent authority in the country where recognition and enforcement is sought finds that: (1) the subject matter of the difference cannot be settled by arbitration under the law of that country; or (2) the recognition or enforcement of the award would be against the public policy of that country.

The Standing Committee of the NPC passed a resolution to accede to the New York Convention and announced: (1) China applies the Convention on the basis of reciprocity to the recognition and enforcement of awards made only in the territory of another party to the Convention; and (2) China applies the Convention only to disputes arising out of legal relationships, whether contractual or not, which are considered as commercial under Chinese law making such declaration.

An arrangement was reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and 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》), which became effective on February 1, 2000 and a number of supplemental arrangements have since been issued (collectively, the "arrangement"). In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in Mainland China.

JUDICIAL JUDGMENT AND ITS ENFORCEMENT

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《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當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in Mainland China or Hong Kong that meet certain conditions of the aforementioned regulations.

Summary of major differences in Company Laws for Hong Kong

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 Company Law and other rules and regulations promulgated under the 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 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 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 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 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 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.

Equity and restrictions on transfer

In general, a company's A-shares, which are denominated and subscribed in RMB, can be subscribed for and traded by Chinese investors, qualified foreign institutional investors or qualified overseas strategic investors. In addition, the company's A-shares, as qualified Shenzhen-Stock-Connect securities, can be, in a limited number, subscribed for and traded by Hong Kong investors and other foreign investors in accordance with the rules of Shenzhen-Hong Kong Stock Connect. Shares listed overseas denominated in RMB but subscribed for in a currency other than RMB may only be subscribed for and traded by investors in Hong Kong, Macao and Taiwan or any country or territory overseas or qualified domestic institutional investors. If the H-shares are qualified Hong Kong Stock Connect securities, they may also be subscribed for and traded by Chinese investors in accordance with the rules of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Pursuant to the 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 the Global Offering, 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 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 Mandatory Provisions 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 Mandatory Provisions, 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

While there is no specific provision in the Company Law for changes in rights over classified shares, the Mandatory Provisions provide for special rules for the voting procedures of shareholders holding different classes of shares. These rules have been incorporated into the articles of association of the Company, and relevant summary is set out in Exhibit VIII hereto.

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 and the Mandatory Provisions) 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.

The Mandatory Provisions also contain detailed provisions on what is considered as change or revoking of the rights of class classified shareholders.

Director

Unlike the Hong Kong Legislation, the 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 Mandatory Provisions 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 Exhibit VIII hereto.

Board of supervisors

The directors and senior management of the company are subject to the supervision of the Board of Supervisors under the 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 Mandatory Provisions, 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 Company Law. In addition, the Mandatory Provisions 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 listing 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 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.

Pursuant to the Mandatory Provisions, controlling shareholders may not, in the exercise of their shareholders' powers, make decisions prejudicial to the interests of all or part of the shareholders as a result of the exercise of their voting rights on the issues set forth below: (1) relieving a director or supervisor from the responsibility to act honestly in the best interest of the company; (2) permitting a director or supervisor (for his/her own or another person's benefit) to deprive the company of its property in any way, including (but not limited to) any opportunities that are favorable to the company; or (3) permitting a director or supervisor (for his/her own or another person's benefit) to deprive other shareholders of their rights or interests, including (but not limited to) rights to distributions and voting rights, unless pursuant to a restructuring of the company submitted to and adopted by the shareholders' general meeting in accordance with the articles of association of the company.

Notice of shareholders' general meetings

Pursuant to the 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 Company Law has no stipulation on the quorum of the a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions stipulate that the company shall receive the reply on the meeting of shareholders representing at least 50% of the voting rights at least 20 days prior to the scheduled date of the meeting, and then convene a shareholders' general meeting. Where the above percentage is less than 50%, the company shall notify shareholders of by notice within five days and then can convene 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 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 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 Chinese law, we shall prepare financial statements pursuant to China's accounting standards. Pursuant to the Mandatory Provisions, the financial statements of the company shall be prepared not only in accordance with China's accounting standards, laws and regulations but also in accordance with international accounting standards or the accounting standards of the place(s) overseas where shares of the company are listed. If there are major differences in the financial statements prepared in accordance with these two sets of accounting standards, such differences shall be stated in notes appended to such financial statements.

Pursuant to the Special Regulations, the documents of information compiled by a company for disclosure at home and abroad shall not contradict each other. Where there are differences between the information disclosed at home, abroad or in different countries and regions, the company shall disclose the differences simultaneously at relevant stock exchanges respectively in accordance with the domestic and foreign laws, regulations and rules of stock exchanges.

Information about directors and shareholders

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

Receiving agents

Pursuant to the Company Law and the Laws of Hong Kong, dividends become debts payable to shareholders upon declaration. Pursuant to the Mandatory Provisions, the company shall appoint

receiving agents to collect on behalf of the relevant shareholders the dividends distributed and other funds payable in respect of foreign investment shares listed overseas.

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. Pursuant to the Mandatory Provisions, disputes shall be submitted to China International Economic and Trade Arbitration Commission or Hong Kong International Arbitration Center for arbitration (the one elected by the claimant) and be arbitrated in accordance with its securities arbitration rules.

Compulsory withdrawal

Pursuant to the 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 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 Company Law, the directors, supervisors and senior management personnel of a company shall be faithful and diligent to the company. Pursuant to the Special Regulations, 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); while pursuant to the Mandatory Provisions, no share transfer may be registered within 30 days prior to a shareholders' general meeting or 5 days prior to the reference date set by the company for the purpose of distribution of dividends.

Summary of certain differences in listing rules

As our A-shares are listed on the Shenzhen Stock Exchange, we shall comply with the Listing Rules of Shenzhen Stock Exchange (hereinafter referred to as Shenzhen Listing Rules) (《深圳證券交易所股票上市規則》). The summary of certain differences between the Hong Kong Listing Rules and the Shenzhen Listing Rules is set forth below.

(1) Periodic financial report

There are significant differences in financial reporting standards and practices, such as industry-specific financial reporting requirements, preliminary results announcements, forms and content of periodic financial reports, and subsequent examination and approval of periodic financial reports.

(2) Provisions on the classification and disclosure of notifiable transactions

The provisions on the classification and disclosure of notifiable transactions in the Hong Kong Listing Rules are different from those in the Shenzhen Listing Rules.

(3) Related/connected transactions

The connected persons as defined in the Hong Kong Listing Rules are different from the related parties as defined in the Shenzhen Listing Rules. In addition, the provisions on the disclosure of connected transactions and the shareholders' approval are different from those on the disclosure of related transactions and shareholders' approval, and their respective exemptions are also different.

(4) Disclosure of insider information

The scope, time and method of disclosure of insider information in the Hong Kong Listing Rules and the Shenzhen Listing Rules are different.