

THE PRC LEGAL SYSTEM

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

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

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

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

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

laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and larger cities may formulate rules based on the laws, administrative regulations and local regulations of such provinces and autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

THE PRC JUDICIAL SYSTEM

According to the Constitution and the Organic Law of the People's Court of the People's Republic of China adopted on July 1, 1979 and recently amended on October 26, 2018 and effective on January 1, 2019, the judicial system of China is composed of the Supreme People's Court, the local People's Court, the military court and other special People's Courts. Local People's Courts are composed of grassroots People's Courts, intermediate People's Courts and higher People's Courts. Grassroots People's Courts may mainly set up civil, criminal, administrative, supervisory and legal enforcement departments. The structure of the intermediate People's Court is similar to that of the grassroots People's Court, and other courts may be set up as required. The high People's Court supervises the lower People's Courts. The Supreme People's Court is the highest judicial organ in China, which has the right to supervise the trial work of People's Courts at all levels and all special People's Courts. The People's Procuratorate also has the right to exercise legal supervision over the trial activities of the People's Court.

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

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

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

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

The PRC Company Law, Special Regulations, the Mandatory Provisions and the Formal Reply

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

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (the “Special Regulations”) were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994. The Special Regulations include the relevant regulations in respect of the overseas share subscription and listing of joint stock limited companies.

The Mandatory Provisions of the Companies Seeking Overseas Listing (the “Mandatory Provisions”) jointly promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic System and implemented on August 27, 1994 prescribe that the provisions should be incorporated in the Articles of Association of joint stock limited companies to be listed in overseas stock exchanges. Accordingly, the contents required by the Mandatory Provisions have been incorporated in the Articles of Association.

Pursuant to the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies issued by the State Council on October 17, 2019 (the “Formal Reply”) (《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覆》), the notice period, shareholders right to formulate proposals and the procedures for convening a general meeting of companies registered in China and listed abroad are in accordance with the relevant regulations of the PRC Company Law and the Special Regulations shall no longer apply.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations, the Mandatory Provisions and the Formal Reply.

General

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

The state-owned enterprise reorganized as a company must abide by the conditions and requirements of specific laws and administrative regulations in terms of the revision of its operating mechanism, the systematic treatment and evaluation of the assets and liabilities of the company and the establishment of internal management organization.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by the laws or administrative regulations. The remaining shares may be offered for sale to the public or specific persons, unless otherwise provided by laws.

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

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

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

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

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

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

the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;

the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and

In the process of establishing a company, if the interests of the company are damaged due to the breach of contract of the promoters, the company shall be liable for compensation.

Share Capital

The promoters of the company may contribute in cash or in currency and in kind (such as intellectual property rights or land use rights) that can be transferred under the law in accordance with the assessed value. However, the property that cannot be used as capital contribution as stipulated by laws or administrative regulations is excluded.

If a capital contribution is made other than cash, a valuation of the assets contributed shall be carried out pursuant to the provisions of the laws or administrative regulations on valuation, which can be transferred into share capital. Non-monetary property as capital contribution shall be appraised and verified, without any overvaluation or under-valuation. If laws or administrative regulations provide for the evaluation and valuation, such provisions shall prevail.

The company may issue registered or bearer shares. However, shares issued to a promoter or corporation shall be registered shares, and shall be registered in the name of the promoter or corporation and shall not be registered in a different name or in the name of a representative.

The Special Regulations and Mandatory Provisions stipulate that the shares listed overseas and issued to foreign investors shall be issued in registered form, and shall be valued in RMB and subscribed in foreign currency.

According to the Special Regulations and Mandatory Provisions, the shares issued to foreign investors and investors in Hong Kong, Macao and Taiwan are regarded as overseas listed foreign shares, while the shares issued to investors in China (excluding the above regions) are regarded domestic shares.

With the approval of the Securities Regulatory Department of the State Council, the company may offer shares to the public outside the country, and the State Council shall make Special Regulations. According to the Special Regulations, the company may, with the approval of CSRC, agree to retain no more than 15% of the total number of foreign shares to be issued in addition to the number of underwriting shares in the underwriting agreement concerning the issuance of foreign shares to be listed overseas.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For each share, the conditions and price per share shall be the same. The same price shall be paid for each share subscribed by any unit or individual. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value. The shares issued by a joint stock limited company may be registered or unregistered.

The transfer of shares by shareholders shall be carried out in a stock exchange established in accordance with the law or in other ways prescribed by the State Council. The transfer of registered shares by shareholders shall be carried out by endorsement or other means as required by laws or administrative regulations. The transfer of bearer shares shall be made by delivery of the shares to the transferee.

The promoters of a company shall not transfer their shares within one year after the date of incorporation of the company. The shares issued by the company prior to the public offering of shares shall not be transferable within one year from the listing date of the shares on the stock exchange. During the term of office, the directors, supervisors and senior management of the company shall not transfer more than 25% of the shares of the company held by each of them, and shall not transfer any shares of the company held by each of them within one year from the listing date of the company. The Company Law of China does not limit the proportion of shares held by a single shareholder.

No transfer of shares shall be registered in the register of members within 20 days prior to the general meeting or within 5 days prior to the base date on which the company decides to distribute dividends.

Increase in Share Capital

Under the PRC Company Law, the company's plan to increase its capital by issuing new shares shall be approved by the shareholders in the general meeting. In addition to the above provisions, which shall be approved by the shareholders, the securities law of the People's Republic of China (the "Securities Law") stipulates that the company's public offering of new shares shall meet the following conditions: (i) have a perfect organization with good operating records; (ii) have sustained operation capacity; (iii) the auditor has issued non-qualified audit reports for the company's financial accounting documents for the past three years; (iv) the issuer and its controlling shareholder(s), actual controlling party do not have criminal record during the past three years for corruption, bribery, encroachment of assets, misappropriation of assets or disruption of socialist market economy order; and (v) meet other requirements specified by the securities regulatory authority of the State Council approved by the State Council.

The public offering shall be subject to the securities regulatory authority of the State Council.

After the new shares have been issued and fully paid, the company shall go through the change registration with the company registration authority and issue a corresponding announcement.

Reduction of Share Capital

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

- (i) the company shall prepare a balance sheet and inventory list of assets;
- (ii) the reduction of registered capital shall be approved by shareholders at general meeting;
- (iii) the company shall notify its creditors of the reduction in share capital within 10 days and publish the relevant announcement in newspapers within 30 days of the resolution approving the reduction being passed;
- (iv) creditors of the company may require the company to pay its debts or provide debt guarantee within the statutory time limit. The creditors of the company may require the company to repay its debts or provide guarantees for covering the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if he/she/it has not received any notification; and
- (v) the company shall apply to company registration authority for the registration of reduction of registered capital.

Repurchase of Shares

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

- (i) Reducing the registered capital of the company.
- (ii) Merging with another company that holds its shares.
- (iii) Using shares for employee stock ownership plan or equity incentives.
- (iv) A shareholder requesting the company to purchase the shares held by him since he objects to a resolution of the shareholders' meeting on the combination or division of the company.

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

A company purchasing its own shares under any of the circumstances set forth in items (i) and (ii) of the preceding paragraph shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (iii), (v) and (vi) of the preceding paragraph may, pursuant to the bylaws or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

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

A listed company purchasing its own shares shall perform the obligation of information disclosure according to the Securities Law of the People's Republic of China. A listed company purchasing its own shares under any of the circumstances set forth in items (iii), (v) and (vi) of paragraph 1 of this article shall carry out trading in a public and centralized manner.

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

Transfer of Shares

Shares may be transferred in accordance with relevant laws and regulations. Registered shares shall be transferred by means of endorsement or other means prescribed by laws or administrative regulations; after the transfer, the company shall record the name and domicile of the transferee in the register of shareholders of the company. Within 20 days before the general meeting of shareholders or within 5 days before the record date of dividend distribution determined by the company, the above-mentioned register of shareholders shall not be changed. The transfer of bearer shares shall take effect when the shareholder delivers the shares to the transferee. The shares of the company held by the promoters shall not be transferred within one year from the date of establishment of the company. The directors, supervisors and senior management personnel of the company shall report to the company the shares held by them and their changes, and the shares transferred each year during their term of office shall not exceed 25% of the total shares of the company held by them. The above-mentioned personnel shall not transfer their shares of the company within half a year after their resignation. The Articles of Association may make other restrictive provisions on the transfer of shares held by the directors, supervisors and management personnel of the company.

Shareholders

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

- (i) To attend the general meeting in person or by proxy and exercise the right to vote on the number of shares held;
- (ii) transfer its shares in accordance with applicable laws and regulations and the company's Articles of Association;
- (iii) to inspect the company's Articles of Association, register of shareholders, counterfoil of creditor's rights, minutes of shareholders' meeting, resolutions of the board of directors, resolutions of the supervisory board and financial and accounting reports, and to put forward suggestions or questions on the company's business operation;
- (iv) if any director or management personnel damages the shareholders' rights and interests due to violation of laws, administrative regulations or the Articles of Association, the shareholders may bring a lawsuit to the People's Court;
- (v) Receive dividends and other distributions according to the number of shares held;
- (vi) to acquire the remaining assets of the company in proportion to its shareholding at the time of termination or liquidation; and to claim damages from other shareholders who abuse their rights; and
- (vii) Any other shareholder's rights specified in the company's Articles of Association.

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

General Meetings

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

- (i) to decide on the company's operational objectives and investment plans;
- (ii) to elect and replace and to decide on the matters relating to the remuneration of directors and supervisors;
- (iii) to review and approve the reports of the board of directors;
- (iv) to review and approve the reports of the supervisory board;
- (v) to review and approve the company's annual financial budgets and final accounts;
- (vi) to review and approve the company's profit distribution proposals and loss recovery proposals;
- (vii) to review and approve on any increase or reduction of the company's registered capital;
- (viii) to review and approve the issue of corporate bonds;
- (ix) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form and other items;
- (x) to amend the company's Articles of Association; and
- (xi) to exercise any other authority stipulated in the Articles of Association.

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

- (i) the number of directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the Articles of Association;
- (ii) the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;
- (iii) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

- (iv) the board deems necessary;
- (v) the supervisory board proposes to hold; or
- (vi) any other circumstances as provided for in the Articles of Association.

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

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. A single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

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

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

Under the PRC Company Law, resolutions of the general meeting shall be passed by more than half of the voting rights held by shareholders (including those represented by the appointed representative), with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the Articles of Association, which in each case shall be passed by at least two-thirds of the voting rights held by the shareholders (including those represented by the appointed representative).

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

The PRC Company Law has no specific provisions on the quorum of shareholders. However, the Special Regulations and the Mandatory Provisions provide that the company may hold an annual general meeting if it receives a reply from shareholders who hold 50% or more of the voting rights of the company 20 days before the expected date of the annual general meeting. If the voting power does not reach 50%, the company shall notify the shareholders of the matters to be considered, the date and place of the meeting in the form of announcement within five days after the last day of receiving the reply before holding the annual general meeting. A class general meeting shall be held when the Mandatory Provisions require the alteration or exemption of the rights of a class of shares. In this regard, the holders of domestic shares and overseas listed foreign shares are regarded as different types of shareholders.

Board

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

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

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

- (i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;
- (ii) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

- (iii) to decide on the company's operational plans and investment proposals;
- (iv) to formulate proposal for the company's annual financial budgets and final accounts;
- (v) to formulate the company's profit distribution proposals and loss recovery proposals;
- (vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- (vii) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;
- (viii) to decide on the setup of the company's internal management organs;
- (ix) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;
- (x) to formulate the company's basic management system; and
- (xi) to exercise any other authority stipulated in the Articles of Association. In addition, the Mandatory Provisions stipulate that the board of directors shall also be responsible for the formulation of the company's amendment plan to the Articles of Association. The meeting of the board of directors can be held only when half of the directors are present. Half of the directors shall approve the resolution of the board of directors. If a director fails to attend a meeting of the board of directors, he may entrust another director to attend the meeting on behalf of him by a power of attorney which specifies the scope of his authority.

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

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

- (i) a person who is unable or has limited ability to undertake any civil liabilities;

- (ii) a person who has been convicted for corruption, bribery, misappropriation of property or disruption of the order of socialist market economy and a five-year period has not lapsed since expiry of the execution period or a person who has been stripped of political rights for being convicted of a crime and a five-year period has not lapsed since expiry of the execution period;
- (iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- (iv) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and
- (v) a person who is liable for a relatively large amount of debts that are overdue; or
- (vi) other circumstances of ineligibility to serve as a director of the company are specified in the mandatory provisions (the Articles of Association have been included, and the summary is contained in “Appendix V — Summary of the Articles of Association”).

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

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

According to the Mandatory Provisions, the legal representative of the company is the chairman of the board of directors. The Special Regulations stipulate that the directors, supervisors, managers and other senior personnel of the company shall bear the responsibility of trustworthiness and diligence. They shall faithfully perform their respective duties and safeguard the interests of the company, and shall not take advantage of their positions for personal gains. The Articles of Association have been included in the mandatory provisions, and the summary of which is set out in “Appendix V — Summary of the Articles of Association” for a detailed description of the above responsibilities.

The directors shall be responsible for the resolutions of the board of directors. If the resolution of the board of directors violates laws, administrative regulations, the Articles of Association or the resolution of the general meeting of shareholders and causes serious losses to the company, the directors participating in the resolution shall be liable for compensation to the company. However, the director may be exempt from liability if it is proved that he/she expressed his/her objection at the time of voting and recorded in the minutes of the meeting.

Supervisors and Supervisory Board

A company shall have a supervisory board composed of not less than three members. Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third. Directors and senior management shall not act concurrently as supervisors.

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

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

According to the Special Regulations, the directors and supervisors of the company shall bear the fiduciary responsibility. They shall faithfully perform their duties and safeguard the interests of the company, and shall not use their positions for personal gain.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

The supervisory board shall meet at least once every six months. The supervisor may propose to hold an extraordinary meeting of the supervisory board. According to the PRC Company Law, the resolution of the supervisory board shall be adopted by more than half of the supervisors. However, according to the letter of opinions on supplementary amendment to the Articles of Association of Listed Companies in Hong Kong issued by the CSRC on April 3, 1995, the resolution of the supervisory board shall be adopted by more than two-thirds of the supervisors. Each supervisor has one vote on the resolution to be approved by the supervisory board. The supervisory board shall make minutes of the meeting on the matters discussed, and the supervisors attending the meeting shall sign and endorse the minutes.

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

Manager and Other Senior Management Personnel

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

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

- (i) to manage the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;
- (ii) to arrange for the implementation of the company’s annual operation plans and investment proposals;

- (iii) to formulate proposals for the establishment of the company's internal management organs;
- (iv) to formulate the fundamental management system of the company;
- (v) to formulate the company's specific rules and regulations;
- (vi) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company; to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors);
- (vii) attend meetings of the board of directors as non-voting participants; and
- (viii) other powers granted by the board of directors or the company's Articles of Association.

According to the Special Regulations and Mandatory Provisions, other senior management personnel of the company include the person in charge of finance, the Secretary of the board of directors and other administrative personnel specified in the Articles of Association of the company. The disqualification of a director of a company shall also apply to the managers and officers of the company. The company's Articles of Association are binding on the company's shareholders, directors, supervisors, managers and other management personnel. Such persons shall have the right to exercise their respective rights, apply for arbitration and conduct legal proceedings in accordance with the Articles of Association of the company. The requirements of the Mandatory Provisions in relation to the senior management of the company have been included in the Articles of Association (its summary is set out in "Appendix V — Summary of the Articles of Association").

Duties of Directors, Supervisors and Senior Management Personnel

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

- (i) misappropriating company funds;
- (ii) depositing company funds into accounts under their own names or the names of other individuals to deposit;
- (iii) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the Articles of Association or without approval of the general meeting or the board of directors;

- (iv) entering into contracts or transactions with the company in violation of the Articles of Association or without approval of the general meeting;
- (v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;
- (vi) accept the commission of the transaction between others and the company as his own;
- (vii) unauthorized divulgence of confidential information of the company; and
- (viii) other acts in violation of their duty of loyalty to the company. The directors, supervisors and senior management of the company shall also be responsible for the confidentiality of the company.

A director, supervisor or senior management who contravenes law, administrative regulation or Articles of Association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, manager and other senior management shall have duty of loyalty to the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company for their own benefits.

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

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

Finance and Accounting

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

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

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

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

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

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

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

- (i) indemnify the company's losses, excluding the capital reserve;
- (ii) to expand the business of the company; and
- (iii) increase the registered capital of the company by issuing new shares or increasing the par value of the shares currently held by the shareholders in accordance with their existing shareholding ratio in the company. If the statutory surplus reserve is converted into the registered capital, the balance of the statutory surplus reserve after conversion shall not be less than 25% of the registered capital of the company before conversion.

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

Appointment and Retirement of Auditors

According to the Special Regulations, a company shall engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company.

The term of office of the auditor shall be from the end of the annual general meeting to the end of the next annual general meeting. Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting or the board of directors in accordance with the Articles of Association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

If the company dismisses or does not continue to employ auditors, it shall notify the auditors in advance in accordance with the Special Regulations, and the auditors have the right to present their opinions to the general meeting of shareholders. The appointment, removal or non-renewal of auditors shall be decided by the shareholders at the shareholders' meeting and shall be filed with the CSRC.

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

Profit Distribution

The PRC Company Law require that a company shall not distribute profits before accumulated losses are covered and the statutory common reserve fund is provided. According to the Special Regulations, any dividend and other distribution to holders of overseas-listed foreign shares shall be declared and calculated in RMB and paid in foreign currency. The Mandatory Provisions require that a company shall make foreign currency payments to shareholders through receiving agent.

Amendments to the Articles of Association

The amendments to Articles of Association of the Company shall be made in accordance with the procedures stipulated in the Articles of Association of the Company. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory authority of the State Council authorized by the State Council. The amendment to articles of association involving matters of company registration must be registered with applicable laws.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

- (i) the term of its operation set out in the company's Articles of Association has expired or other events of dissolution specified in the company's Articles of Association have occurred;
- (ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;
- (iii) the company is dissolved by reason of its merger or division;
- (iv) the business license of the company is revoked or the company is ordered to close down or to be revoked in accordance with the laws; or
- (v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

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

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

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

- (i) to sort out the company's property and to prepare a balance sheet and an inventory of property;
- (ii) to notify creditors or publish announcements;
- (iii) to deal with the company's outstanding business related to the liquidation;

- (iv) to pay any unpaid tax;
- (v) to settle the company's claims and liabilities;
- (vi) to handle the company's remaining assets after its debts have been paid off; and
- (vii) to represent the company in any civil procedures.

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

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

If the liquidation committee becomes aware that the Company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over all the administration related to liquidation to the people's court.

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

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

Loss of Share Certificates

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

The Mandatory Provisions provide for a separate procedure regarding the loss of share certificates of H share certificates (the Articles of Association are included and are set out in "Appendix V — Summary of the Articles of Association").

Merger and Division

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

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

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

Securities Laws and Regulations

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

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

Overseas Listing

The shares of a Company shall only be listed overseas after obtaining approval from the securities regulatory authority under the State Council, and the listing must comply with the procedures prescribed by the State Council.

Pursuant to the Special Regulations, for the plans of companies that have been approved by the securities regulatory authority under the State Council to issue foreign-listed and domestic-listed shares, the board of directors of the company may, within 15 months from the date of obtaining the approval of the CSRC, implement separate issuance arrangements.

Suspension and Termination of Listing

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

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

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the “**Arbitration Law**”) was enacted by the Standing Committee of the NPC on August 31, 1994, which was amended on September 1, 2017. It is applicable to where the parties have agreed in writing to submit the dispute to arbitration in respect of the contract and other property in accordance with the arbitration, which is constituted under the Arbitration Law, and the parties to the dispute shall be natural persons, legal persons and other organizations. The Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. If the parties have agreed to settle disputes by means of arbitration, a people’s court will refuse to handle the relevant case.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of the Company, in the case of the Listing Rules, also in contracts between the Company and each director or supervisor, to submit the dispute or claim to arbitration in the event of any dispute or claim between the holder of H shares and the Company, and the holder of H shares and its directors, supervisors or officers; or any dispute or claim arising out of the affairs of the Company or the Articles of Association of the Company, the PRC Company Law or any other relevant laws and administrative regulations.

Where a dispute or a claim for rights referred to in the preceding paragraph is submitted to arbitration, the entire claim or dispute shall be submitted to arbitration and all persons having cause of action on the same factual basis as the dispute or claim, persons who may be required to participate in the settlement of the dispute or claim (if such persons are shareholders, directors, supervisors or officers of the Company) shall be subject to arbitration. Disputes relating to the identity of shareholders and the Company’s register of shareholders need not be resolved through arbitration.

The claimant may choose to arbitrate in accordance with its arbitration rules in the China International Economic and Trade Arbitration Commission (“**CIETAC**”) or in accordance with its securities arbitration rules in the Hong Kong International Arbitration Center (“**HKIAC**”). Once the claimant has submitted the dispute or claim to arbitration, the other party is also subject to arbitration by an arbitration body of the claimant’s choice. If the party seeking arbitration elects to arbitrate at the HKIAC, then either party to the dispute or claim may apply to be heard in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the Arbitration Law and Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people’s court for its enforcement. The People’s Court may refuse to enforce the arbitral award rendered by the arbitration if there is any procedural irregularity provided for by law or in the composition of the arbitrators, or if the arbitral award is beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission, the People’s Court may refuse to enforce the arbitral award rendered by the arbitration.

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the “**New York Convention**”) adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. Under the New York Convention, all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced. However, under certain circumstances, including conflicts between enforcement of arbitral awards and the public policy of the country where the application for enforcement was made, States parties to the New York Convention had the rights to refuse enforcement of arbitral awards. At the time of the PRC’s accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

In June 1999, an arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People’s Court of China was reached. The new arrangement was approved by the Supreme People’s Court and the Legislative Council of Hong Kong and went into effect on February 1, 2000. The arrangements reflects the spirit of the New York Convention. Under this arrangement, the awards made by Chinese arbitral authorities under the Arbitration Law may be enforced in Hong Kong and Hong Kong arbitral awards made under the Hong Kong Arbitration Ordinance may also be enforced in China.

MAJOR DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

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

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the Company. The PRC Company Law does not provide for authorized share capital. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved by our Shareholders' general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no overvaluation or undervaluation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Equity and Transfer of Shares

Generally, our A Shares are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Shanghai Stock Exchange, A Shares of the Company can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Hong Kong Stock Exchange, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. The joint stock limited liability Company's directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The Articles of Association of the Company may set other restrictive requirements on the transfer of a Company's shares held by its directors, supervisors and senior management of the Company. There are no restrictions on shareholdings and transfers of shares under Hong Kong law except that after the Global Offering (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on controlling shareholders' disposal of Share.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting. However, the Special Regulations and the Mandatory Provisions provide that a general meeting of the shareholders of the Company may not be convened until at least 20 days before the proposed date of the meeting has been met by receipt of a reply letter from the shareholders holding at least 50% of the voting shares of the representatives to the notice of the meeting, or if the number does not reach the above 50% level, the Company must notify the shareholders by public notice within five days before the shareholders' meeting can be convened. Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions on the circumstances and approval procedures for the change of rights deemed to be class shares. These provisions have been incorporated in the Articles of Association, which are summarized in "Appendix V — Summary of the Articles of Association".

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the Articles of Association relating to the above variation of those rights, then in accordance with those provisions.

As required by the Hong Kong Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances: (i) where we issue, either separately or concurrently in any 12-month period, upon approval by special resolutions passed at a general meeting, A shares and H shares not more than 20% of each of the existing A shares and H shares, respectively; (ii) where the plan for the issue of A shares and H shares upon our establishment is implemented within 15 months following the date of approval or within the valid period of the approval by the securities regulatory authorities under the State Council or within the stated period as stipulated by applicable requirements; and (iii) after the Company issue and list H shares overseas, the shareholders of the Company will list their unlisted shares overseas for trading with the approval of the State Council or the Securities Regulatory Authority of the State Council.

Derivative Action by Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory board to initiate proceedings in the people's court. In the event that the supervisors violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory board or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide the Company with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong. The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Supervisory Board

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a supervisory board. There is no mandatory requirement for the establishment of a supervisory board for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the Company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the Company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the Chinese accounting standards for enterprises, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the China accounting standards for enterprises.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the Hong Kong law, dividends once declared by the Board will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years. The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such shareholders dividends declared and other payable monies owed by the Company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the Company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, the joint stock limited company merger, division, dissolution of the company or the conversion of the corporate form has to be approved by shareholders in general meeting.

Mandatory Transfers

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

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission, at the claimant's choice. Such arbitration is final and conclusive.

Under the Hong Kong International Arbitration Centre rules, either party may, upon application, hear a case in Shenzhen involving a company incorporated in China but listed on the Hong Kong Stock Exchange, so that the Chinese and the witnesses can attend. If either party applies to be heard in Shenzhen and the arbitral tribunal is satisfied that the application is genuine and that all parties (including witnesses and arbitrators) may enter Shenzhen to attend the hearing, the arbitral tribunal may order the hearing to be held in Shenzhen. If the Chinese party or a person other than its witness or arbitrator is not allowed to enter Shenzhen, the arbitral tribunal shall order the hearing to be conducted in any practicable manner, including the use of electronic media. For the purposes of the securities arbitration rules, a Chinese party means a person residing in China (excluding Hong Kong, Macao and Taiwan) who is not a member of the Hong Kong International Arbitration Centre.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, The Listing Rules require the Articles of Association of the listed company to contain remedies similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management) have been set out in the Articles of Association.

Dividends

Pursuant to PRC laws, the Company in certain circumstances shall have rights to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The Company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within thirty days before the date of convening a general meeting or within five days before the base date of distribution of dividends.