

This appendix summarizes certain aspects of PRC laws and regulations relevant to the Company's operations and business. The PRC tax laws and regulations are discussed separately in Appendix III—"Taxation and Foreign Exchange" to this Document. The primary purpose of this appendix is to provide prospective investors with an overview of the principal legal and regulatory provisions that are applicable to the Company. This appendix is not intended to contain all information that may be important to prospective investors. For the discussion of the laws and regulations that are relevant to the business of the Company, please refer to the "Regulatory Overview" for details.

## **PRC Laws and Regulations**

### **PRC Legal System**

The PRC legal system is based on the Constitution of the People's Republic of China (《中華人民共和國憲法》) (the "Constitution"), which was enacted by the National People's Congress on December 4, 1982, and last amended and implemented on March 11, 2018, and is made up of written laws, administrative regulations, local regulations, separate regulations, departmental regulations of the State Council, local government regulations, autonomous regulations, separate regulations of the autonomous region, laws of special administrative regions, and international treaties to which the Chinese Government is a signatory and other regulatory documents. Court decisions do not constitute binding precedents, but can be used as judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》) (promulgated by the National People's Congress on March 15, 2000, and became effective on July 1, 2000, and most recently amended and implemented on March 15, 2023) (the "Legislation Law"), the National People's Congress and its Standing Committee exercise the legislative power of the state. The National People's Congress has the power to enact and amend criminal, civil, and other fundamental laws. The NPCSC is empowered to enact and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments shall not be in conflict with the basic principles of such laws.

The State Council is the highest state administrative authority and has the authority to enact administrative regulations in accordance with the Constitution and laws. On the premise of not conflicting with the Constitution, laws, or administrative regulations, the people's congresses and their standing committees of provinces, autonomous regions, and municipalities directly under the central government may enact local regulations based on the specific conditions and practical needs of their respective administrative regions; the people's congresses and their standing committees of the cities divided into districts may, in light of the specific local conditions and actual needs, enact local regulations regarding urban and rural development and management, ecological civilization construction, historical and cultural protection, grassroots governance and other matters. Where there are other legal provisions on the enactment of local regulations by cities divided into districts, such provisions shall prevail. The people's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People's Bank of China, and other institutions prescribed by law may formulate rules within their respective authorities in accordance

with laws and the administrative regulations, decisions, and orders of the State Council. The people's governments of provinces, autonomous regions, municipalities directly under the central government, cities divided into districts and autonomous regions may formulate rules in accordance with laws, administrative regulations, and the relevant local regulations of the province, autonomous region, or municipality directly under the central government.

According to the Resolution of the Standing Committee of the National People's Congress on Strengthening Legal Interpretation Work (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》), promulgated and implemented by the NPCSC on June 10, 1981, any provisions in laws or decrees requiring further clarification of boundaries or supplementary regulations shall be interpreted by the Standing Committee of the National People's Congress or stipulated by decrees. The Supreme People's Court shall interpret all the issues concerning the specific application of laws in the judicial work of the courts. The Supreme People's Procuratorate shall interpret all the issues concerning the specific application of laws in the procuratorial work of the procuratorate. Matters concerning the application of other laws and decrees not pertaining to judicial or prosecutorial work shall be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and department rules which they have promulgated. At the local level, the authority to interpret local laws and regulations rests with the local legislative and administrative bodies that enact such laws and regulations.

### PRC Judicial System

According to the Constitution and the Organic Law of the People's Courts of the People's Republic of China (《中華人民共和國人民法院組織法》) (promulgated by the Standing Committee of the National People's Congress on September 21, 1954, and most recently amended and implemented on January 1, 2019), and the Organic Law of the People's Procuratorates of the People's Republic of China (《中華人民共和國人民檢察院組織法》) (promulgated by the Standing Committee of the National People's Congress on September 21, 1954, and most recently amended on October 26, 2018 and implemented on January 1, 2019), the People's Courts of China are divided into the Supreme People's Court, local people's courts at various levels, and other specialized people's courts. Local people's courts are divided into three tiers: basic-level people's courts, intermediate people's courts, and higher people's courts. Basic-level people's courts may establish several people's tribunals based on regional, population, and case circumstances. The Supreme People's Court is the highest judicial organ, responsible for supervising the judicial proceedings of local people's courts at all levels and specialized people's courts. Higher-level people's courts supervise the judicial proceedings of lower-level people's courts. The People's Procuratorates of China are divided into the Supreme People's Procuratorate, local people's procuratorates at various levels, and specialized people's procuratorates such as military procuratorates. The Supreme People's Procuratorate is the highest procuratorial organ, responsible for directing the work of local people's procuratorates at all levels and specialized people's procuratorates. Higher-level people's procuratorates direct the work of lower-level people's procuratorates.

The People's Courts adopt the two-tier trial system, which means that the judgment or ruling of the People's Court of second instance is final. The People's Procuratorate may file a protest with the higher-level People's Court according to law. If the parties concerned have not filed any appeals and the People's Procuratorate has not filed any protest within the stipulated period of time, the judgment or ruling of the people's court shall be final. Second-instance judgments or rulings rendered by the

Intermediate People's Court, the Higher People's Court and the Supreme People's Court are final. The first instance judgment or ruling of the Supreme People's Court is also final. However, if the Supreme People's Court or a higher-level people's court discovers that a final and binding judgment or ruling of a lower-level people's court that has already taken legal effect is indeed erroneous, or if the presiding judge of a people's court at any level believes that such a final and binding judgment or ruling is indeed erroneous, it may be retried through judicial supervision procedures.

The Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》) (the "Civil Procedure Law"), promulgated by the Standing Committee of the National People's Congress on March 8, 1982, and most recently amended on September 1, 2023 and implemented on January 1, 2024, stipulates the provisions concerning the initiation of civil litigation, the jurisdiction of people's courts, the procedures to be followed in civil litigation, and the enforcement procedures for civil judgments or rulings. Civil cases are generally heard by the local court in the province or municipality where the defendant resides. The court with jurisdiction over civil litigation may be explicitly agreed upon by the parties, but the court must be located in a place with a real connection to the dispute, such as the domicile of the plaintiff or defendant, the place of contract performance or execution, or the location of the subject matter of the litigation.

Foreign nationals and foreign enterprises shall have the same rights and obligations in litigation as Chinese citizens and legal persons. Where the judicial system of a foreign court imposes restrictions on the civil litigation rights of Chinese citizens and enterprises, Chinese courts shall apply the principle of reciprocity to the civil litigation rights of citizens and enterprises of that country within Chinese territory. Foreigners, stateless persons, foreign-invested enterprises or foreign organizations filing a lawsuit or making a defense at a people's court that are required to engage a lawyer to participate in proceedings shall engage a Chinese lawyer. Where a request by a foreign court for assistance is prejudicial to the sovereignty, security or public interest of China, the people's court shall refuse the request.

Civil judgments and rulings that have the force of law must be fulfilled by the parties concerned. Where one party refuses to comply with the ruling or judgment, the other party may apply to the People's Court for enforcement. There are time limits of two years imposed on the right to apply for such enforcement. The termination or suspension of the limitation period for applying for enforcement of a judgment shall be governed by the provisions concerning the termination or suspension of the limitation period for litigation.

Where a party applies for the enforcement of a legally binding judgment or ruling issued by a People's Court, and the person subject to enforcement or their property under the judgment are not located within the territory of China, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement. Where the People's Court, upon examination, finds that the judgment or ruling neither violates the fundamental legal principles of Chinese law nor harms the sovereignty, security, or public interests of the state, it shall rule to recognize its validity.

#### **The Company Law, Trial Measures and Guidelines for the Articles of Association**

A joint stock company incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

The Company Law of the People's Republic of China (《中華人民共和國公司法》) ("the Company Law"), promulgated by the Standing Committee of the National People's Congress on

December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018, and December 29, 2023. The newly amended Company Law was implemented on July 1, 2024.

The Trial Measures (《試行辦法》) and five supporting guidelines, which were promulgated by the CSRC on February 17, 2023 and came into effect on March 31, 2023, applicable to direct or indirect offshore share offering and listing of domestic companies.

Pursuant to the Trial Measures and its supporting guidelines, a domestic company that directly issues shares for listing overseas shall formulate its articles of association in accordance with the Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》) (the “Guidelines for the Articles of Association”), which shall replace the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, which were no longer applicable as of March 31, 2023. The Guidelines for the Articles of Association were promulgated by the CSRC on December 16, 1997 and last revised on March 28, 2025.

The summary of the main clauses of the Company Law, the Trial Measures and the Guidelines for the Articles of Association that are applicable to the Company is set out below.

### **General Provisions**

A joint stock company is an enterprise legal person incorporated in accordance with the Company Law, whose registered capital is divided into shares of equal par value. Shareholders are liable to the company only to the extent of their shareholdings, while the company is liable for its debts only to the extent of its entire assets.

A joint-stock company must comply with laws and administrative regulations when conducting business operations. A company may invest in other companies with limited liabilities and companies limited by shares and shall be liable only to the extent of the investment contribution to those companies. Where laws stipulate that a company shall not be a contributor liable for the debts of its invested enterprises on a joint and several basis, such provisions shall prevail.

### **Incorporation**

A joint stock company may be incorporated by way of promotion or fund-raising. A joint-stock company may be incorporated by a minimum of one and a maximum of 200 promoters, at least half of whom must have their domicile in Chinese Mainland.

The subscription promoters of a joint-stock company shall convene the inaugural meeting within 30 days after the capital is fully paid up, and shall notify all subscribers of the meeting date or publish an announcement to that effect at least 15 days prior to the meeting. The inaugural meeting may only be convened if subscribers holding at least 50% of the voting rights are present. The procedures for convening and voting at the inaugural meeting of a joint-stock limited company founded by means of promotion shall be stipulated in the agreement among the promoters.

Within 30 days after the conclusion of the inaugural meeting, the Board of Directors shall apply to the registration authority for registration of the establishment of the joint stock company. Upon issuance of the business license by the relevant registration authority, the company is formally established and acquires legal person status.

**Registered Shares**

According to the Company Law, shareholders may make capital contributions in cash, or in kind, or with intellectual property rights, land use rights, equity or creditors' rights, and other non-monetary property that can be valued in money and can be transferred in accordance with the law.

According to the Trial Measures, domestic enterprises listing overseas may raise funds and distribute dividends in foreign currency or RMB.

Pursuant to the Company Law, a joint stock company shall maintain a register of shareholders detailing the following information: (1) the name or designation and domicile of each shareholder; (2) the class and number of shares subscribed by each shareholder; (3) the serial number of the shares (if issued in paper form); and (4) the date on which each shareholder acquired the shares.

**Allocation and Issuance of Shares**

A joint stock company shall issue shares under the principles of fairness and equality. Each share of the same class shall have equal rights. Shares of the same class issued at the same time shall be issued under the same condition and at the same price. The issue price of shares may be equal to, or exceed, the par value, but shall not be less than the par value.

Domestic enterprises issuing shares and listing overseas shall file with the CSRC in accordance with the Trial Measures, submitting materials such as filing reports and legal opinions, and providing true, accurate, and complete information regarding shareholders and other relevant circumstances.

**Increase of Share Capital**

According to the Company Law, if a joint stock company issues new shares, the general meeting shall pass a resolution on the class and amount of new shares, the issue price of the new shares, the starting and ending dates of the issuance of the new shares and the class and amount of new shares to be issued to existing shareholders. A company issuing shares to the public shall register with the securities regulatory authority of the State Council and publish the relevant documents. Upon full payment of the subscription price for shares issued by the company, a corresponding announcement must be published.

**Reduction of Share Capital**

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

- (1) the company shall prepare a balance sheet and a list of property;
- (2) a resolution to reduce the registered capital shall be adopted by the general meeting;
- (3) the company shall inform its creditors within 10 days from the date on which the resolution to reduce the registered capital is adopted and publish an announcement on the newspaper or the National Enterprise Credit Information Publicity System within 30 days.

- (4) the creditors, within 30 days of receipt of the relevant notice, or within 45 days of the announcement for those who have not received the relevant notice, shall have the right to require the company to repay its debts in full or to provide corresponding security for such debts; and
- (5) the company shall apply for registration of changes with the company registration authority.

When a company reduces its registered capital, it shall reduce the amount of capital contribution or shares accordingly based on the proportion of capital contributions or shares held by shareholders, unless otherwise provided by law or its Articles of Association.

### **Repurchase of Shares**

Pursuant to the provisions of the Company Law, a company shall not acquire its own shares, except in any of the following circumstances:

- (1) to reduce the registered capital of the company;
- (2) to merge with another company holding the company's shares;
- (3) to use the shares for employee stock ownership plan or share incentive plan;
- (4) request by any shareholder of the company to acquire their shares due to their objection to the general meeting resolution on the merger or division of the company;
- (5) to use the shares for the conversion of corporate bonds issued by the company that are convertible into shares; and
- (6) necessary for the listed company to safeguard the value of the company and shareholders' rights and interests.

The company's acquisition of its own shares under the circumstances stipulated in items (1) or (2) above shall be resolved by the general meeting; the acquisition of the company's shares by the company under the circumstances stipulated in items (3), (4) or (5) above may be resolved by the Board meeting attended by at least two-thirds of the Directors in accordance with the Articles of Association or the authorization of the general meeting.

After the company acquires its own shares in accordance with the above provisions, in the case of item (1), the shares shall be canceled within 10 days from the date of acquisition; in the case of items (2) or (4), the shares shall be transferred or canceled within 6 months; in the case of items (3), (5) or (6), the company shall not hold its own shares in the aggregate in a number that exceeds 10% of the total number of the issued shares of the company, and shall transfer or cancel such shares within 3 years.

### **Transfer of Shares**

Shares held by shareholders are legally transferable. Pursuant to the Company Law, transfer of shares by shareholders of a joint stock company shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. If the laws, administrative regulations or the securities regulatory authorities under the State Council provide otherwise for the registration of changes in the register of shareholders of a listed company, the relevant provisions shall apply.

Pursuant to the Company Law, shares that have been issued before the public offering shall not be transferred for a period of one year commencing from the date on which the company's shares are listed and traded on a stock exchange. The directors and senior management shall declare to the company the shares they hold and any changes therein. The shares transferred each year during the term of office determined when they take up their posts shall not exceed 25% of the total shares they hold in the company. The shares of the company held by directors and senior officers shall not be transferred within 1 year as of the listing date of the shares of the company, and the above-mentioned persons are not allowed to transfer their shares in the company within six months after their departure.

If the shares are pledged within the period of restriction on transfer prescribed by laws and administrative regulations, the pledgee shall not exercise the pledge right within such period.

### **Shareholders**

According to the Company Law and the Guidelines for the Articles of Association, the rights of shareholders include:

- (1) to receive dividends and other distributions of interests in proportion to the number of shares held;
- (2) to request to hold, convene, preside over a general meeting, attend the general meeting in person or by proxy, and exercise the corresponding voting rights in accordance with the laws;
- (3) to supervise the operation of the company and to make suggestions or inquiries;
- (4) to transfer, donate or pledge the shares held by them in accordance with laws, administrative regulations and the Articles of Association;
- (5) to inspect and copy the Articles of Association, register of shareholders, minutes of general meetings, resolutions of meetings of the board of directors, financial and accounting reports, and eligible shareholders may inspect the company's accounting books and accounting vouchers;
- (6) to participate in the distribution of the remaining property of the company according to the proportion of shares they hold when the company is terminated or liquidated;
- (7) to request the company to purchase shares held by shareholders who raise objection to the resolution on the merger or division of the company as adopted by the general meeting;
- (8) other rights stipulated by laws, administrative regulations, departmental rules, and the Articles of Association.

The obligations of shareholders include abiding by the Articles of Association, paying the share capital for the shares they have subscribed for, being liable to the company to the extent of the shares they have purchased, and fulfilling other obligations of shareholders as stipulated in the Articles of Association.

**General Meeting**

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

- (1) to elect and replace Directors and decide matters relating to the remuneration of Directors;
- (2) to examine and approve reports of the Board;
- (3) to examine and approve the company's profit distribution plan and loss recovery plan;
- (4) to resolve on the increase or reduction of the company's registered capital;
- (5) to resolve on the issuance of corporate bonds;
- (6) to resolve on the merger, division, dissolution, liquidation of the company or change of company form;
- (7) to amend the Articles of Association;
- (8) other powers as stipulated by the Articles of Association.

The general meeting can authorize the board of directors to make resolutions on the issuance of corporate bonds.

Pursuant to the Company Law and the Guidelines for the Articles of Association, general meetings are classified into annual general meetings and extraordinary general meetings. The annual general meetings shall be convened once a year, and shall be held within six months after the prior fiscal year ends.

In the event of any of the following circumstances, the company shall convene an extraordinary general meeting within two months from the date of occurrence of the fact:

- (1) the number of directors is less than two-thirds of the number prescribed in the Company Law or the Articles of Association;
- (2) the company's losses which are not covered amount to one-third of the total share capital;
- (3) shareholders holding individually or collectively at least 10% of the company's shares (including preferred shares with restored voting rights, etc.) make a request;
- (4) the board of directors considers it necessary;
- (5) the audit committee proposes to convene the meeting;
- (6) other circumstances set out in the relevant laws, administrative regulations, department rules or the Articles of Association.

According to the Company Law and the Guidelines for the Articles of Association, a general meeting shall be convened by the board of directors and shall be presided over by the chairman of the board. Where the chairman is unable to or does not perform his duties, the meeting shall be presided over by the vice-chairman. Where the vice chairman is unable to or does not perform his duties, the meeting shall be presided over by one director jointly appointed by a majority of all the directors. If the board of directors is unable or fails to convene the general meeting, the audit committee shall convene and preside over the meeting in a timely manner. If the audit committee does not convene and preside over the meeting, the shareholders who individually or together hold at least 10% of the shares for

at least 90 consecutive days may convene and preside over the meeting by themselves. In the event that shareholders who individually or collectively hold at least 10% of the company's shares request to convene an extraordinary general meeting, the Board of Directors or the audit committee shall make a decision on whether or not to convene an extraordinary general meeting within 10 days from the date of receipt of the request, and shall reply to the shareholders in writing.

Pursuant to the Company Law and the Guidelines for the Articles of Association, a general meeting shall be convened by notifying the shareholders of the time and place of the meeting and the matters to be considered 20 days prior to the meeting, and an extraordinary general meeting shall be convened by notifying the shareholders 15 days prior to the meeting. The shareholders holding at least 1% of the shares of the company individually or collectively may raise a provisional proposal and submit it to the Board in writing 10 days before the general meeting is held. The Board shall notify the shareholders within 2 days after the receipt of the proposal and submit the provisional proposal to the general meeting for deliberation, except that the provisional proposal is in violation of the provisions of the laws, administrative regulations or the Articles of Association of the company or does not fall within the terms of reference of the general meeting. The company shall not increase the percentage of shares held by a shareholder required to make a provisional proposal. The company that makes a public offering of its shares shall give the notice stipulated in the preceding paragraph by means of a public announcement. The general meeting shall not make resolutions on matters not specified in the notice.

According to the Company Law, each share held by shareholders attending a general meeting shall carry one voting right, except for shareholders holding other classes of shares. The company's own shares held by the company shall not have the voting right.

Pursuant to the provisions of the Articles of Association or a resolution of the general meeting, the accumulative voting system may be adopted for the election of Directors at the general meeting. Under the accumulative voting system, in the election of Directors at the general meeting, each share shall be entitled to vote equivalent to the number of Directors to be elected at the general meetings and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law, resolutions adopted by the general meeting shall be passed by a majority of the voting rights held by shareholders present at the meeting. However, resolutions concerning amendments to the Articles of Association, increases or decreases in registered capital, as well as resolutions on company's mergers, divisions, dissolution, or changes in corporate form shall be passed by a majority of two-thirds or more of the voting rights held by shareholders present at the meeting.

The general meeting shall prepare minutes regarding the decisions on matters considered at the meeting, which shall be signed by the chairman of the meeting and directors attending the meeting. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

### **Board of Directors**

A joint stock company shall have a board of directors. However, a joint-stock company that is relatively small in scale or has a limited number of shareholders may choose not to establish a board of directors. Instead, it may appoint a single director to exercise the powers and duties of the board of directors as stipulated in the Company Law. Where the board of directors of a company consists of

three or more members, its membership may include the employee representatives. The employee representatives in the board shall be democratically elected by the workers and staff members of the company through the congresses or assemblies of the staff and workers or other forms.

The term of office of the directors is stipulated by the Articles of Association, but shall not exceed 3 years. A director may continue to serve his post if he is re-elected upon the expiration of his term. Where a new elect is not yet available upon expiration of a director's term, or the number of the directors on the board is less than the quorum due to the resignation of a director within his term, such director, before the newly-elected director takes his office, shall continue the performance of his duties in accordance with laws, administrative regulations and the Articles of Association. A director who resigns shall notify the company in writing, and the resignation shall take effect on the date the company receives the notice. However, where the circumstances specified in the preceding paragraph exist, the director shall continue to perform his duties.

Pursuant to the Company Law, the Board of Directors may exercise the following powers:

- (1) to convene the general meeting and report to the general meeting on its work;
- (2) to implement the resolutions of the general meeting;
- (3) to decide on the company's operating plan and investment plan;
- (4) to formulate the profit distribution plan and loss recovery plan of the company;
- (5) to formulate the plan for the company's increase or reduction of registered capital and the issuance of corporate bonds;
- (6) to formulate the plan for the company's merger, division, dissolution or change of the company form;
- (7) to decide on the establishment of the internal management organization of the company;
- (8) to decide on the appointment or dismissal of the manager of the company and his remuneration, and decide on the appointment or dismissal of the deputy manager and the chief financial officer of the company based on the nomination of the manager and their remunerations;
- (9) to formulate the basic management system of the company; and
- (10) other powers as stipulated in the Articles of Association or as conferred by the general meeting.

Limitations on the powers of the board of directors in the Articles of Association shall not be imposed against a bona fide counterparty.

Under the Company Law, a company may establish an audit committee composed of directors within its board of directors in accordance with the provisions of its Articles of Association to exercise the powers of the supervisory committee. The company may choose not to establish a supervisory committee or appoint supervisors. The company may establish other committees within the board of directors in accordance with the provisions of the Articles of Association.

The board of directors shall hold meetings at least twice a year, and notice shall be given to all directors and members of the audit committee 10 days in advance. Shareholders holding at least one-tenth of the voting rights, at least one-third of directors, or the audit committee may propose to convene an extraordinary meeting of the board of directors. The chairman of the Board shall convene and preside over a Board meeting within 10 days after receiving the proposal. Where an extraordinary meeting of the Board of Directors is to be held, the method and time limit for notification for convening the extraordinary meeting may be prescribed separately.

A board meeting shall not be held unless more than half of the directors are present. A resolution made by the Board shall be approved by more than half of all the Directors. In the voting process, one director shall represent one vote. The board of directors shall prepare minutes regarding the decisions on matters considered at the meeting, which shall be signed by the directors attending the meeting.

Directors shall attend the Board meeting in person. If a director is unable to attend the meeting for some reason, he may entrust another director in writing to attend the meeting on his behalf, provided that the power of attorney shall specify the scope of authorization. Directors shall be liable for the resolutions of the Board.

In accordance with the Company Law, none of the following persons may serve as a director of a company:

- (1) a person without civil capacity or with restricted civil capacity;
- (2) a person who was sentenced for corruption, bribery, embezzlement, misappropriation, or disruption of socialist market economic order, or who was deprived of his political rights due to a criminal offense, and not more than five years has elapsed since the completion of the sentence, or where a suspension of sentence is granted, not more than two years has elapsed since the expiry date of the suspension period;
- (3) a person who acted as a director, or factory director or manager of a bankrupt or liquidated company or enterprise and bore personal liability for the bankruptcy or liquidation of such company or enterprise, where three years have not lapsed following the date of completion of such bankruptcy or liquidation;
- (4) a person who was the legal representative of a company or enterprise which had its business license revoked and had been ordered to shut down due to violation of the laws and who was personally liable, where three years have not lapsed following the date of the revocation of business license or the date of order for shutdown; and
- (5) a person who has been listed as a dishonest person subject to enforcement by the people's court because he incurred debts of a large amount that have not been settled by the due date.

Elections, delegation or appointments of Directors who fall into any of the above circumstances shall be invalid. In the event that the circumstances as stipulated above arise during the term of office of any director, the company shall dismiss the relevant director.

In addition, the Guidelines for the Articles of Association further stipulate other circumstances under which individuals may not serve as directors of a company, including: (1) persons subject to a securities market ban imposed by the CSRC whose ban period has not yet expired; or (2) persons prohibited from serving as directors under other laws, administrative regulations, or departmental rules.

According to the Company Law, the board of directors shall have one chairman and may have a vice-chairman. The chairman and the vice chairman shall be elected by a majority of all the Directors. The chairman shall convene and preside over Board meetings and examine the implementation of Board resolutions. The vice chairman shall assist the chairman in his duties.

#### **Audit Committee**

Pursuant to the Company Law, where a joint stock company does not establish a supervisory committee, the audit committee shall consist of three or more members. A majority of its members shall not hold any position in the company other than that of director, and shall not have any relationship with the company that may affect their independent and objective judgment.

Employee representatives on the board of directors may serve as members of the audit committee. Resolutions of the Audit Committee shall be adopted by a majority vote of all members. Voting on resolutions of the Audit Committee shall be conducted on a one-person-one-vote basis. Except as otherwise provided for in the Company Law, the rules of deliberation and voting procedures of the Audit Committee shall be stipulated by the Articles of Association.

#### **Manager and Senior Officers**

In accordance with the Company Law, a company shall have a manager, who shall be appointed or dismissed by the board of directors. The manager shall be accountable to the Board and exercise his powers in accordance with the provisions of the Articles of Association or as delegated by the Board. The manager may attend board meetings but does not have voting rights.

In accordance with the Company Law, senior officers shall refer to the manager, deputy manager, chief financial officer, the secretary of the board of directors of a listed company and any other personnel specified in the Articles of Association.

#### **Duties of Directors, General Managers, and Other Senior Officers**

Directors and senior officers shall comply with laws, administrative regulations, and the Articles of Association.

Directors and senior officers have a duty of loyalty to the company; they shall take measures to avoid conflicts between their own interests and the interests of the company, and they shall not make use of their powers to gain undue benefits. Directors and senior officers have a duty of diligence to the company, and shall perform their duties with the reasonable care normally expected of a manager in the best interests of the company.

If the controlling shareholders or actual controllers do not serve as directors of the company but actually execute the affairs of the company, the provisions of the preceding paragraph shall apply.

If a director or senior officer causes detriment to the company while performing his duties in violation of laws, administrative regulations or the Articles of Association, he shall be liable for the loss so caused.

Directors or senior officers shall attend general meetings and respond to shareholders' inquiries.

In the event of a violation of laws, administrative regulations or the provisions under the Articles of Association by a director or senior officer in performing his duties resulting in loss to the company, the shareholders that solely or collectively hold 1% or more shares of the company for a continuous period of 180 days have the right to make a written request to the Audit Committee to file a litigation with a people's court. Upon receipt of the written request made by the shareholders as stipulated in the preceding paragraph, in case the Audit Committee or the Board of Directors refuses to file a lawsuit or fails to file a lawsuit within 30 days from receipt of such request, or under urgent circumstances that failure in filing a lawsuit immediately will have the company suffer from irreparable damages, the aforesaid shareholders shall have the right to file a lawsuit to a people's court directly in their own name for protection of the company's interests. In the event that any other person infringes upon the legal rights and interests of the company and causes losses thereto, the aforesaid shareholders may file a lawsuit to a people's court in accordance with the provisions of the preceding paragraph. In the event of violation of laws, administrative regulations or provisions under the Articles of Association by Directors or senior officers in performing their duties resulting in damage to the shareholders' interest, the shareholders may file a litigation with a people's court.

If the directors or senior officers of a wholly-owned subsidiary of the company violate laws, administrative regulations, or the Articles of Association in performing their duties and cause losses to the company, or if others infringe upon the legitimate rights and interests of the wholly-owned subsidiary of the company and cause losses, shareholders of the limited liability company or shareholders of the joint stock company who have held, individually or jointly, at least 1% of the company's shares for 180 or more consecutive days may submit a written request to the audit committee or the board of directors of the wholly-owned subsidiary to file a lawsuit with the people's court or to file a lawsuit directly with the people's court in their own name.

### **Finance, Accounting and Profit Distribution**

According to the Company Law, the company shall, in accordance with the provisions of laws, administrative regulations and rules of the financial department under the State Council, establish its financial and accounting systems.

When the company distributes the after-tax profits of the current year, it shall allocate 10% of the profits into the statutory surplus reserve. However, no further allocation is required if the aggregate amount of the statutory surplus reserve exceeds 50% of the registered capital of the company. If the company's statutory surplus reserve is not sufficient to cover the company's losses in the previous year, such losses shall first be covered with the profit of the current year before any allocation is made to the statutory surplus reserve. After the company has allocated the statutory surplus reserve from its after-tax profits, it may, upon a resolution made by the general meeting, allocate a discretionary surplus reserve from its after-tax profits. After the company has made up for its losses and set aside its reserves, the balance of the after-tax profits shall be distributed to the shareholders in proportion to their respective capital contributions, unless the Articles of Association provide otherwise. The company's own shares held by the company shall not be entitled to any distribution of profit.

If the company distributes profits to shareholders in violation of the provisions of the Company Law, the shareholders shall return the profits distributed in violation of the provisions to the company. If any loss is caused to the company, the shareholders and the responsible directors and senior officers shall be liable for compensation.

If the general meeting resolves to distribute profits, the board of directors shall do so within six months from the date of the general meeting resolution. The reserves of the company shall be used to cover the company's losses, expand its production and operation or to increase its registered capital. To make up for the company's losses, the company shall first use the discretionary surplus reserve and statutory surplus reserve; if they are insufficient, the capital reserve can be used in accordance with the regulations. Where the statutory surplus reserve is converted to increase the registered capital of the company, the remainder of the statutory surplus reserve shall not be less than 25% of the registered capital of the company before the conversion is conducted.

The company shall not establish separate accounting books other than the statutory ones. The company's funds shall not be deposited in any accounts opened in the name of any individual.

After the company reduces its registered capital in accordance with the provisions of the Company Law, it may not distribute profits until the accumulated amount of the statutory surplus reserve and discretionary surplus reserve reaches 50% of its registered capital.

#### **Engagement and Dismissal of Accounting Firms**

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by the general meeting, the Board or the Audit Committee in accordance with the Articles of Association. The accounting firm should be allowed to make representations when the general meeting, board of directors or audit committee conducts a vote on the dismissal of the accounting firm. The company shall provide to the accounting firm appointed true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials, and shall not refuse to provide, hide or falsely report such materials.

#### **Amendment to the Articles of Association**

Pursuant to the Company Law, a resolution to amend the Articles of Association at a general meeting of the company shall be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. According to the Guidelines for the Articles of Association, where any amendment to the Articles of Association resolved by the general meeting is subject to examination and approval by the competent authority, such amendment shall be submitted to the competent authority for approval; where matters concerning company registration are involved, registration of the changes shall be processed in accordance with the law. Where amendments to the Articles of Association constitute information required to be disclosed under laws and regulations, they shall be announced in accordance with the relevant provisions.

**Dissolution and Liquidation**

According to the Company Law, a company shall be dissolved if:

- (1) the business term as specified in the Articles of Association expires or any other dissolution event occurs as specified in the Articles of Association;
- (2) the general meeting resolves to dissolve the company;
- (3) the company is required to be dissolved due to merger or division of the company;
- (4) the business license of the company is revoked, or the company is ordered to be closed or canceled in accordance with law; or
- (5) shareholders holding at least 10% of the voting rights of the company request the people's court to dissolve the company, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses to the interests of shareholders.

If the company has the reasons for dissolution specified in the above paragraph, it shall publicize the reasons for dissolution through the National Enterprise Credit Information Publicity System within 10 days.

If the company is in the situations of the above item (1) or (2) and has not yet distributed its property to its shareholders, it may survive by amending the Articles of Association or by a resolution of the general meeting.

Amendments to the Articles of Association or resolutions of general meeting made in accordance with the provisions of the preceding paragraph shall be approved by at least two-thirds of the voting rights held by the shareholders attending the general meeting.

If the company is dissolved under item (1), (2), (4) or (5) above, it shall be liquidated. The directors shall be the liquidation obligors of the company, and shall form a liquidation committee to liquidate the company within 15 days from the date of occurrence of any event leading to dissolution. The liquidation committee shall be composed of the directors, except as otherwise provided in the Articles of Association or as otherwise elected by the resolution of the general meeting.

Where the liquidation obligors fail to perform their liquidation obligations in a timely manner, thereby causing losses to the company or the creditors, they shall be liable for compensation.

The liquidation committee shall exercise the following powers during liquidation:

- (1) to liquidate the company's assets, and prepare a balance sheet and a schedule of assets, respectively;
- (2) to notify creditors by notice or announcement;
- (3) to deal with and liquidate any outstanding business of the company;
- (4) to pay all outstanding taxes as well as taxes arising during the liquidation process;
- (5) to clear the claims and debts;

- (6) to distribute the company's remaining assets after paying off all debts; and
- (7) to participate in civil litigation on behalf of the company.

The liquidation committee shall, within 10 days of its establishment, notify the company's creditors, and make an announcement on the newspapers or the National Enterprise Credit Information Publicity System within 60 days.

The creditors shall, within 30 days of the receipt of the notice, or within 45 days following the announcement if the creditors have not received such notice, declare their claims to the liquidation committee.

When declaring the claims, the creditors shall specify the relevant matters about the claims and provide evidences. The liquidation committee shall register the claims. During the period of declaration of claims, the liquidation committee shall not repay any debts to the creditors.

After the liquidation committee has thoroughly examined the company's assets and prepared a balance sheet and schedule of assets, it shall formulate a liquidation plan and submit such plan to the general meeting or the people's court for confirmation. The remaining property of the company after paying the liquidation expenses, wages owed to employees, social security fees and statutory compensation, outstanding taxes and debts of the company shall be distributed in proportion to the shares held by shareholders. During the liquidation period, the company still exists but shall not carry out any business activities not related to liquidation. The property of the company shall not be distributed to its shareholders before it has made the payments as specified in the provisions of the preceding paragraph.

Where the liquidation committee discovers upon examination of the company's assets and preparation of the balance sheet and schedule of assets that the company's assets are insufficient to repay its debts, an application shall be made to the People's Court for bankruptcy liquidation. After the people's court accepts the bankruptcy application, the liquidation committee shall hand over the liquidation affairs to the bankruptcy administrator appointed by the people's court.

The liquidation committee members shall perform the duties of liquidation and bear the obligations of loyalty and diligence. Where a member of the liquidation committee causes losses to the company due to his/her failure in performing the liquidation duties, he/she shall be liable for compensation; where losses are caused to the creditors due to intent or gross negligence, he/she shall be liable for compensation.

After the liquidation of a company is completed, the liquidation committee shall prepare a liquidation report and submit the report to the general meeting or the people's court for confirmation, and shall submit it to the company registration authority to apply for cancellation of the registration of the company.

If the company has not incurred any debts during its existence or has paid off all its debts, it may, upon the commitment of all the shareholders, be deregistered through simple procedures in accordance with relevant regulations. If the company is deregistered through simple procedures, it shall be announced through the national enterprise credit information publicity system, and the announcement period shall not be less than 20 days. If there is no objection upon the expiration of the

period of announcement, the Company may apply to the company registration authority for cancellation of the company registration within 20 days.

Where the company is deregistered through simple procedures and the shareholders make an untruthful commitment, they shall bear joint and several liability for the debts incurred before the cancellation of registration.

Where the company is revoked of its business license, ordered to close down or canceled, and fails to apply to the company registration authority for cancellation of company registration within three years, the company registration authority may make a public announcement through the national enterprise credit information publicity system, and the announcement period shall not be less than 60 days. If there is no objection upon the expiration of the announcement period, the company registration authority may cancel the registration of the company. Where the registration of the company is canceled in accordance with the provisions of the preceding paragraph, the liability of the original shareholders and liquidation obligors of the company shall not be affected.

### **Overseas Listing**

According to the Trial Measures, the securities refer to shares, depository receipts, corporate bonds convertible into shares or other securities of equity nature issued and listed directly or indirectly outside China by domestic enterprises. Direct Overseas Issuance and Listing of domestic enterprises refers to the overseas issuance and listing by joint stock companies registered and established in China. Indirect Overseas Issuance and Listing of domestic enterprises refers to the overseas issuance and listing by enterprises that conduct principal business activities in China, in the name of enterprises registered overseas, based on the equity, assets, income or other similar interests of the domestic enterprises.

The Trial Measures also stipulate the conditions for overseas issuance and listing. Under any of the following circumstances, overseas issuance and listing are not allowed:

- (1) Laws, administrative regulations, or relevant national provisions expressly prohibit listing and raising capital;
- (2) Overseas Issuance and Listing may endanger national security, as reviewed and determined by the relevant competent departments under the State Council according to law;
- (3) The domestic enterprise or its controlling shareholder or actual controller(s) have committed a crime of corruption, bribery, embezzlement or misappropriation of property or disrupting the order of the socialist market economy within the last three years;
- (4) The domestic enterprise is under investigation for suspected crimes or major violations of laws or regulations, and there is no clear conclusion;
- (5) There is a major dispute over the ownership of the equity held by the controlling shareholder(s) or the shareholder(s) controlled by the controlling shareholder(s) or the actual controller(s).

In addition, according to the Trial Measures, when Chinese domestic enterprises apply to the competent overseas regulatory authorities or overseas stock exchanges for an initial public offering, the issuer must file with the CSRC within three working days after submitting the application.

The issuer shall report the following major events that occur after overseas issuance and listing to the CSRC within 3 working days from the date of the occurrence and announcement of the relevant events:

- (1) change of control;
- (2) being investigated or punished by overseas securities regulatory authorities or the relevant competent authorities;
- (3) change of listing status or the board of listing;
- (4) voluntary or forced termination of the listing.

According to the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) promulgated by the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection, and the National Archives Administration on February 24, 2023, and effective as of March 31, 2023, where a domestic enterprise provides or publicly discloses documents and materials involving State secrets or work secrets of State organs to relevant securities firms, securities service institutions, overseas regulatory authorities, or other entities and individuals, the enterprise in question shall report to the competent authorities with the power of examination and approval for approval according to law, and file with the confidentiality administrative authorities at the same level. Working papers generated within China by securities companies and securities service providers that provide corresponding services for domestic enterprises issuing securities and listing overseas shall be stored within China. Cross-border transfers must undergo approval procedures in accordance with relevant national regulations.

### **Loss of Share Certificates**

If the registered share certificate is stolen, lost or destroyed, the shareholder may request the people's court to declare the share certificate invalid in accordance with the public notice procedure as stipulated in the Civil Procedure Law. After the people's court has declared the share certificate invalid, the shareholder may apply to the company for a replacement of the share certificate.

### **Merger and Division**

According to the Company Law, in the case of a merger, the parties to the merger shall enter into a merger agreement and prepare a balance sheet and a schedule of assets. The company shall inform its creditors within 10 days and publish an announcement on the newspaper or the National Enterprise Credit Information Publicity System within 30 days after the resolution approving the merger has been adopted. Creditors shall, within 30 days since the date of receiving the notice, or creditors who do not receive the notice shall, within 45 days since the date of the public announcement, be entitled to require the company to pay off its debts in full or to provide a corresponding guarantee.

When companies merge, the claims and debts of all the parties to the merger shall be succeeded to by the company that continues to exist after the merger or by the newly established company. In the case of division of a company, its property shall be divided accordingly, and a balance sheet and a schedule of assets shall be prepared. The company shall inform its creditors within 10 days and publish an announcement on the newspaper or the National Enterprise Credit Information Publicity System

within 30 days after the resolution approving the division has been adopted. Debts owed by the company prior to the division shall be assumed by the companies in existence after the division jointly and severally, except as otherwise stated in the agreement entered into between creditors and the company for debt service prior to the division.

### **Securities Laws, Regulations, and Regulatory Framework of China**

A series of regulations relating to the issuance and trading of shares and information disclosure have been enacted in China. In October 1992, the State Council set up the Securities Committee of the State Council and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC serves as the regulatory enforcement body of the Securities Committee. It is responsible for drafting securities market regulations, supervising securities firms, regulating public offerings of Chinese companies' securities domestically or overseas, standardizing securities trading, collecting securities-related statistical data, and conducting relevant research and analysis. In April 1998, the State Council consolidated the two departments and reorganized the CSRC.

The State Council promulgated and implemented the Interim Regulations on the Administration of Stock Issuance and Trading(《股票發行與交易管理暫行條例》) on April 22, 1993. These regulations stipulate the procedures for applying for and obtaining approval for public offerings of stocks, the issuance and trading of stocks, the acquisition of listed companies, the custody, settlement, and transfer of stocks, the disclosure of information by listed companies, investigations, penalties, and dispute resolution.

The Securities Law was promulgated by the Standing Committee of the National People's Congress on December 29, 1998, and came into effect on July 1, 1999. It was subsequently amended on August 28, 2004; October 27, 2005; June 29, 2013; August 31, 2014; and December 28, 2019. The newly amended Securities Law was implemented on March 1, 2020. The Securities Law is China's first securities law, implementing centralized and unified supervision and management over securities market activities in China. The Securities Law consists of 14 chapters and 226 articles, covering securities issuance, securities trading, acquisitions of listed companies, stock exchanges, securities firms, securities registration and settlement institutions, and the responsibilities of securities regulatory authorities. Article 224 of the Securities Law provides that domestic enterprises that directly or indirectly issue securities overseas or list and trade their securities overseas shall comply with the relevant provisions of the State Council. At present, the issuance and trading of overseas issued securities (including shares) are mainly regulated by rules and regulations promulgated by the State Council and the CSRC.

### **Arbitration and Enforcement of Arbitration Awards**

The Arbitration Law of the People's Republic of China (the "Arbitration Law") was promulgated by the Standing Committee of the National People's Congress on August 31, 1994, and came into effect on September 1, 1995. It was subsequently amended on August 27, 2009, September 1, 2017, and September 12, 2025. The newly amended Arbitration Law will be implemented on March 1, 2026. The Arbitration Law applies to foreign economic disputes where the parties have entered into a written agreement to submit the matter to arbitration before an arbitration

commission constituted in accordance with the Arbitration Law. Before the China Arbitration Association formulates its arbitration rules, the Arbitration Commission may formulate provisional rules for arbitration in accordance with the relevant provisions of the Arbitration Law and the Civil Procedure Law. If the parties choose to resolve disputes through arbitration, and either party files a lawsuit with the court, the court will not accept it.

According to the Arbitration Law, the arbitration award shall be final and binding on the parties to the arbitration. The parties shall comply with the arbitration award. Where one party fails to comply with an arbitration award, the other party may apply to the people's court for enforcement in accordance with the relevant provisions of the Civil Procedure Law. The People's Court may refuse to enforce an arbitration award made by an arbitration commission if it involves procedural irregularities (including irregularities in the composition of the arbitration commission or the award ruling on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission). Where a legally binding arbitration award rendered by a foreign-related arbitration commission is sought to be enforced by the parties, and the person subject to enforcement or its property is not within the territory of China, the parties shall apply directly to the competent foreign court for recognition and enforcement.

Pursuant to the Arrangement of the Supreme People's Court Concerning Reciprocal Enforcement of Arbitral Awards between the Chinese Mainland and the Hong Kong Special Administrative Region(《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on January 24, 2000, which came into effect on February 1, 2000, and the Supplementary Arrangement of the Supreme People's Court Concerning Reciprocal Enforcement of Arbitral Awards between the Chinese Mainland and the Hong Kong Special Administrative Region(《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated on November 26, 2020 and coming into force on November 27, 2020, awards made by arbitral institutions in Chinese Mainland are enforceable in Hong Kong and Hong Kong arbitral awards are enforceable in Chinese Mainland.

Pursuant to the Arrangement of the Supreme People's Court on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region(《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商案件判決的安排》), promulgated by the Supreme People's Court on January 25, 2024, and effective as of January 29, 2024, except for judgments in civil and commercial cases that are not applicable under Article 3 of the Arrangement, judgments that may be recognized and enforced in both places are those rendered in the Mainland and Hong Kong on or after January 29, 2024. The judgment content subject to mutual recognition and enforcement includes monetary and non-monetary awards.