
China

Minority Shareholder Rights

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Contents

Page

SOURCES OF PROTECTION AND ENFORCEMENT	1
PROTECTION AGAINST DILUTION	2
RIGHTS TO APPOINT DIRECTORS	3
PROTECTION AGAINST TAKEOVER BIDS FOR THE COMPANY	5
ACTIONS AND SEEKING REMEDIES ON BEHALF OF THE COMPANY	6
RIGHTS TO PARTICIPATE IN DECISION-MAKING	7
INFORMATION RIGHTS, PARTICIPATION RIGHTS AND THE RIGHT TO REQUEST DISTRIBUTION	9
RIGHTS OF FIRST REFUSAL FOR SHAREHOLDERS OF AN LLC	11
RIGHTS WHEN A COMPANY IS EXPERIENCING FINANCIAL DIFFICULTIES	12
RIGHTS ENFORCEABLE AGAINST OTHER SHAREHOLDERS	13
SUMMARY OF RIGHTS	14

SOURCES OF PROTECTION AND ENFORCEMENT

Please provide an overview of the sources of protection for minority shareholders in your jurisdiction. Who enforces these rights?

As the primary source of law for companies in China, the Company Law of the People's Republic of China 2018 (PRC Company Law) and the revised draft of the PRC Company Law (Revised Draft 2021, which has not yet come into effect), provide many of the rights and protections for minority shareholders. There are two main types of companies under the PRC Company Law: the limited liability company (LLC) and the company limited by shares (CLS). Since the PRC Company Law allows some rights and protections to be specified in the articles of association of a company, the PRC Company Law should always be considered along with the articles of association of a specific company.

Public companies listed on the three main stock exchanges in the PRC (ie Shanghai Stock Exchange, Shenzhen Stock Exchange and Beijing Stock Exchange) are subject to even stricter requirements in terms of protections for minority shareholders. These requirements include compulsory shareholder protections in the PRC Securities Law, the Listing Rules of the respective stock exchange(s), and other administrative regulations (eg, Measures for the Administration on Acquisition of Listed Companies). Compliance with guiding opinions on company governance issued by the China Securities Regulatory Committee (CSRC) is also recommended.

Depending on the nature and intended purpose of the rights and protections for minority shareholders, a number of parties have the right or duty to enforce these rights and protections. Most of the protections under the PRC Company Law are enforceable by the minority shareholders, whereas an independent director is also responsible for enforcing several rights for the purpose of protecting minority shareholders. Certain rights and protections in rules applying to listed companies are enforceable by the CSRC.

PROTECTION AGAINST DILUTION

Are there any mechanisms in your jurisdiction to protect against dilution of shareholdings? For example, are existing shareholders granted any rights on the issue of new shares in a company?

Under the PRC Company Law, shareholders of an LLC and a CLS are given the power to pass resolutions on the increase of the company's share capital (Articles 37 and 99, PRC Company Law). Strictly speaking, this mechanism is not designed to protect the interests of minority shareholders, since such resolution only requires a simple majority vote to pass. Nevertheless, this mechanism helps minority shareholders be aware of a potential incident which may result in dilution of their shareholdings.

Shareholders of an LLC are entitled to the pre-emptive right to subscribe for increased share capital proportionate to their actual paid-up capital, unless otherwise agreed upon by all the shareholders of the LLC (Article 34, PRC Company Law). Hence, minority shareholders of an LLC are given the chance to purchase new equity interests to maintain their relative shareholdings in the LLC.

Unless otherwise agreed upon by all of the shareholders, if an LLC fails to offer such pre-emptive rights to its minority shareholders and passes a shareholders' resolution to allow other shareholders or third parties to subscribe for the entire amount of new capital, or the proportionated equity interest should have been offered to such minority shareholders, minority shareholders may request that the court revokes such resolution within 60 days of the adoption of the resolution on the basis that the resolution violates the law (Article 22, PRC Company Law).

Shareholders of a CLS do not enjoy such pre-emptive rights under the PRC Company Law. However, if the Revised Draft 2021 becomes effective, shareholders of a CLS will also enjoy a pre-emptive right to subscribe for increased share capital if the articles of association of the CLS enables its shareholders to do so (Article 223, Revised Draft 2021).

RIGHTS TO APPOINT DIRECTORS

Do minority shareholders have any special rights to appoint directors to safeguard their interests? Are other protections available to minority shareholders in this context (such as general duties of directors)?

Under the PRC Company Law, shareholders of a company have the right to appoint directors via shareholders' meetings (Article 37 and Article 99, PRC Company Law). Shareholders of an LLC can decide on its procedure for the adoption of the resolution for the appointment of directors in the LLC's articles of association (Article 43, PRC Company Law). In a CLS, the resolution for the appointment of directors must be adopted by shareholders representing more than half of the voting rights of all shareholders of the CLS present at the shareholders' meeting (Article 103, PRC Company Law).

The PRC Company Law has introduced a cumulative voting system for the appointment of directors of a CLS. Under such a voting system, each share will represent same number of votes as the number of directors to be elected, and the shareholder may cast all of their votes for a single nominee for the board of directors (Article 105, PRC Company Law). This mechanism strengthens the ability of minority shareholders to elect a director representing their interests onto the board of directors, even if the majority shareholders may oppose its election.

Listed companies are required to have independent directors on the board (Article 122, PRC Company Law). Shareholders who hold 1 per cent or more shares of a listed company have the right to nominate a candidate as the independent director of the company (Article 12, Rules for Independent Directors of Listed Companies). No less than one-third of members of the board of directors of a listed company should be independent directors (Article 4, Rules for Independent Directors of Listed Companies). In addition to their normal duties as board members, independent directors are entitled to:

- submit proposals to convene interim shareholders' meetings;
- submit proposals to recruit or dismiss auditing firms;
- independently appoint auditors or consultant to conduct auditing or consulting work on certain matter of a listed company; and
- give independent opinions on major transactions with affiliated institutions (Article 22, Rules for Independent Directors of Listed Companies).

Independent directors are required to independently perform their duties, and shall not be affected by the major shareholders, actual controllers of the company, or any other individuals or entities having interests in the listed company (Article 6, Rules for Independent Directors of Listed Companies). They are expected to ensure that the rights and interests of minority shareholders are not harmed in practice (Article 5, Rules for Independent Directors of Listed Companies).

Directors are subject to the duty of care and the duty of loyalty towards shareholders of an LLC and a CLS (Article 147, PRC Company Law). Directors are also prohibited from engaging in certain actions that may result in conflict of interests with the company (Article 148, PRC Company Law). In addition, directors are liable for compensation for losses of the company arising from board actions that violate the law, administrative regulations and articles of associations, as well as shareholders' resolutions (except where a director has affirmatively dissented to the action) (Article

112, PRC Company Law). Although such protections have general applicability to all shareholders of a company, they nonetheless help to ensure that directors appointed by majority shareholders do not act in a manner that may harm the interests of the company as a whole, which will indirectly damage the interests of minority shareholders.

PROTECTION AGAINST TAKEOVER BIDS FOR THE COMPANY

Do minority shareholders have any protection in your jurisdiction where the company is the subject of a takeover bid?

In the event that a takeover bid is made for a PRC company whose shares are listed on Shanghai Stock Exchange, Beijing Stock Exchange or Shenzhen Stock Exchange, the offeror and the target company will mainly be governed by the PRC Securities Law and Measures for the Administration on Acquisition of Listed Companies (PRC Takeover Code).

As a general principle, the PRC Takeover Code mandates that shareholders of the target company shall be treated equally by the offeror (Article 26, PRC Takeover Code). In addition, all the acquisition conditions proposed in a tender offer shall apply to all the shareholders of a target company (Article 39, PRC Takeover Code).

In accordance with the abovementioned principles, a mandatory bid rule sits at the heart of the PRC takeover laws. Where, through securities transactions at securities exchanges, the shares of a listed company held by a purchaser reaches 30 per cent of the issued shares of the company, the purchaser shall, if continuing to increase the shareholding, make a tender offer to all the shareholders of the target company for acquiring all or part of their shares (Article 65, PRC Securities Law and Article 24, PRC Takeover Code). This rule provides a great degree of protection to minority shareholders by ensuring that the control premium is shared amongst all shareholders of the target company.

PRC takeover laws provide another exit mechanism for minority shareholders. If the shareholding structure of the acquired company is no longer in conformity with the conditions for listing at the expiration of the period of acquisition, the listing and trading of the shares of such listed company shall be terminated by the stock exchange pursuant to applicable laws. The remaining shareholders of the company shall have the right to sell their shares to the acquirer on the same terms as stipulated in acquisition, and the acquirer shall acquire such shares accordingly (Article 74, PRC Securities Law and Article 44, PRC Takeover Code). Where the offeror acquires 75 per cent or more of the issued shares of a target company whose total share capital is below RMB 400m (or acquires 90 per cent or more of the issued shares of a target company whose total share capital exceeds RMB 400m), the holder of any of the remaining shares may require the offeror to purchase their shares on the same terms as the offer.

Minority shareholders are also protected by having the right to be informed of substantial changes in the shareholding of the target company. When an investor's shareholding reaches 5 per cent of the issued shares of a target company, the investor is required to make disclosure by way of submitting a written report to the CSRC and the stock exchange within three business days from the date of such occurrence. During this period, the investor is prohibited from dealing with shares of such company until the market is informed. In addition, if the shareholding of a substantial shareholder increases or decreases by 5 per cent, they should inform the market in the same way (Article 63, PRC Securities Law and Article 13, PRC Takeover Code). Although this disclosure requirement is not specifically designed to protect the interests of minority shareholders, it gives minority shareholders the opportunity to get an early warning of possible takeovers.

ACTIONS AND SEEKING REMEDIES ON BEHALF OF THE COMPANY

Are shareholders in your jurisdiction able to bring actions and seek remedies on behalf of the company? For example, is there any mechanism for a judicial or other official representative to oversee or intervene in the management of the company?

Any shareholder of an LLC, or shareholders of a CLS individually or jointly holding at least 1 per cent of the shares of the company for 180 consecutive days, may bring a derivative lawsuit against directors, supervisory board members or senior management who have violated the law, administrative regulations or articles of association in performing its duties, thereby causing damages to the company (Article 151, PRC Company Law). Shareholders of listed companies are also entitled to bring a derivative lawsuit against other shareholders, directors, supervisory board members or senior management who are involved in selling the company's shares within six months of purchasing or purchasing or repurchasing within six months after selling (as applicable) (Article 44, PRC Securities Law).

Before bringing a derivative lawsuit against directors or senior management, shareholders must first make a written demand to the board of supervisors. If the derivative lawsuit is to be brought against supervisors, shareholders must first make a written demand to the board of directors (Article 151, PRC Company Law).

The shareholders may proceed with the derivative lawsuits if:

- the demand is rejected by the board of supervisors or the board of directors (as the case may be);
- the lawsuit has not been initiated within 30 days after the board of supervisors or the board of directors receives the demand; or
- the company would suffer irreparable damage if the lawsuit does not proceed immediately (Article 151, PRC Company Law).

There is no room to allow a board of directors or supervisors to make a justified and good faith refusal of the demand by arguing that a lawsuit would not be in the best interest of the company. Shareholders may always bring the derivative lawsuit on behalf of the company if the company does not bring the lawsuit by itself.

In addition, any shareholders of an LLC or shareholders of a CLS individually or jointly holding at least 1 per cent of the shares of the company for 180 consecutive days may also bring a derivative lawsuit against 'others' (which may include controlling shareholders and third parties) who infringe the company's legitimate rights and interests, thereby causing damages to the company, by following the same procedure mentioned above (Article 151, PRC Company Law).

RIGHTS TO PARTICIPATE IN DECISION-MAKING

To what extent do minority shareholders have rights to participate in the decision-making of companies in your jurisdiction?

As well as participating in the decision-making of companies by attending and voting on matters at annual shareholders' meetings, shareholders individually or jointly holding 10 per cent or more of the voting rights (in respect of an LLC) or shares (in respect of a CLS) of the company have the right to request an interim shareholders' meeting (Article 39 and Article 100, PRC Company Law). If the board of directors and the supervisory board of an LLC or a CLS are unable to, or if they fail to, convene the interim shareholders' meeting at shareholder request, the shareholders are entitled to convene and preside the interim shareholders' meeting (Article 40 and Article 101, PRC Company Law).

For an LLC, a notice of the shareholders' meeting (no matter whether it is the annual meeting or interim meeting) shall be given to all shareholders at least 15 days prior to the meeting, unless otherwise provided in the articles of association or otherwise agreed by all shareholders of the LLC. All shareholders of a CLS are entitled to be given a notice of the general shareholders' meeting, specifying the time and place of the meeting and the issues to be discussed, at least 20 days before the general shareholders' meetings are due to be held. In the case of an interim shareholders' meeting, shorter notice of 15 days shall be given to all shareholders of the CSL (Article 41 and Article 102, PRC Company Law).

Shareholders of a CLS individually or jointly holding 3 per cent or more of the company's shares have the right to submit a written interim proposal to the board of directors ten days before a shareholders' meeting. The board of directors shall notify other shareholders within two days of receiving such a proposal and shall add it to the agenda of the shareholders' meeting (Article 102, PRC Company Law). No similar right is provided to shareholders of an LLC under the applicable PRC laws and regulations.

The shareholders representing 10 per cent or more of the voting rights of a CLS are entitled to call an interim meeting of the board of directors (*Article 110 of PRC Company Law*). No similar right is provided to shareholders of an LLC under the applicable PRC laws and regulations.

Minority shareholders are given potential opportunities to block major company decisions that may injure their interests by virtue of the special resolution procedure. The resolutions to amend the articles of association, to increase/decrease the registered capital of a company, or – in respect of a merger – division, dissolution or conversion of a company are required to be adopted by special resolution of a shareholder's meeting. This means such resolution must be adopted by the shareholders representing more than two-thirds of the voting rights of an LLC (Article 43, PRC Company Law) or shareholders representing more than two-thirds of the voting rights of all shareholders of a CLS present at the shareholders' meeting (Article 103, PRC Company Law).

Furthermore, for a listed company, where there will be (1) a purchase or sale of any substantial assets; (2) the provision of a guarantee that exceeds 30 per cent of the total asset value of the company within a given year; (3) a share repurchase, or (4) where the listed company applies to terminate its stock trading or seek re-listing on another stock exchange, a resolution shall be made by the shareholders' meeting and shall be passed by the shareholders representing more than two-thirds of the voting rights of all the shareholders present at the meeting.

Under scenarios (3) and (4), directors, supervisors, senior management and shareholders who hold more than 5 per cent of shares of the listed company are not entitled to vote (Article 6.1.8, Article 6.1.10, Article 9.6.12, Article 9.7.2 and Article 10.2.6 of Shenzhen Stock Exchange Listing Rules, Article 6.1.10, Article 6.1.15, Article 9.7.2 and Article 10.2.5 of Shanghai Stock Exchange Listing Rules, and Article 7.1.11, Article 7.1.18, Article 10.7.3 and Article 10.7.9 of Beijing Stock Exchange Listing Rules). In addition, Article 10.7.3 of the Beijing Stock Exchange Listing Rules also prescribe that the resolution on the delisting of the company shall be passed by minority shareholders representing more than two-thirds of the voting rights.

The PRC Company Law also confers upon shareholders the right to petition the court to revoke any shareholders' or board resolution within 60 days from its adoption, if either:

- the convening procedures or voting methods adopted in the relevant meeting violate the law or the company's articles of association; or
- the contents of such resolution violate the company's articles of association (Article 22, PRC Company Law).

The exit mechanism under the PRC Company Law also allows shareholders of an LLC to ask the company to repurchase their shares at a reasonable price if they oppose:

- the company's decision not to distribute dividends for five consecutive profit-making years;
- any merger or spinoff of the company or the disposition of the company's major assets; or
- the renewal of the company's term of operation by amending the company's articles of association upon the expiration of its operation term, or upon the occurrence of any other grounds for dissolution as specified in the articles of association (Article 74, PRC Company Law).

The shareholders of a CLS can currently only request the company to repurchase their shares at a reasonable price if they vote against the resolution in respect of the merger or spinoff of the company (Article 142, PRC Company Law). If the Revised Draft 2021 become effective, the shareholders of a CLS are also entitled to ask the company to repurchase their shares at a reasonable price under abovementioned scenarios in the event that they vote against the relevant resolution (Articles 172 and 173, Revised Draft 2021).

INFORMATION RIGHTS, PARTICIPATION RIGHTS AND THE RIGHT TO REQUEST DISTRIBUTION

Shareholders of an LLC are entitled to inspect and duplicate:

- the company's articles of association;
- minutes of the shareholders' meetings;
- resolutions of the meetings of board of directors;
- resolutions of meetings of the board of supervisors; and
- the financial reports (Article 33, PRC Company Law).

Shareholders of an LLC may also have the right to review and duplicate the register of shareholders if the Revised Draft 2021 becomes effective (Article 51, Revised Draft 2021). In addition, shareholders of an LLC may request to inspect the accounting books of the company by submitting a written request to the company which states their purpose(s). If the company has reasonable grounds to believe that the shareholder's request to inspect the accounting books is based on improper motive, and may impair the legitimate interests of the company, the company may reject the request and shall, within 15 days of the shareholder submitting the written request, give the shareholder a written reply specifying the reasons for rejection (Article 33, PRC Company Law). Such right of inspection may be extended to the review of accounting proof if the Revised Draft 2021 becomes effective (Article 51, Revised Draft 2021).

Shareholders of a CLS are entitled to inspect:

- the company's articles of association;
- the register of shareholders;
- corporate bond stubs;
- minutes of general meeting of shareholders;
- resolutions of meetings of the board of directors;
- resolutions of meetings of the board of supervisors;
- the financial reports; and
- make suggestions or inquiries about the operation of the company.

Shareholders of a CLS have no access to the accounting books (Article 97, PRC Company Law). If the Revised Draft 2021 becomes effective, shareholders who individually or jointly hold more than 1 per cent of the company's shares for more than 180 consecutive days may have a right to engage any agency (eg accounting firm, law firm, etc.) to review the company's accounting books and accounting proof to a necessary extent in the event that such shareholders have reason to believe that operation of the company's business has violated laws, administrative regulations or the company's articles of association (Article 113, Revised Draft 2021).

The shareholders of either an LLC or a CLS may request the company to distribute the profits via submitting the effective resolution of the shareholders' general meeting that sets forth the specific distribution plan (Article 166, PRC Company Law and Article 14 of SPC's *Decision on Issues regarding Application of PRC Company Law IV*). In the event of winding up, the remaining assets of a company after deducting the payment of (1) liquidation expenses, (2) employee salaries, (3) social security premiums and statutory compensation, (4) outstanding taxes and (5) debts of the

company shall be distributed to shareholders in accordance with the proportion of the capital contribution (in respect of an LLC) or shares (in respect of a CLS) held by shareholders (Article 186, PRC Company Law).

RIGHTS OF FIRST REFUSAL FOR SHAREHOLDERS OF AN LLC

Where a shareholder intends to transfer its equity to anyone other than the existing shareholders, they shall give written notice to other shareholders and obtain the consent from more than half of the other shareholders. If any of the other shareholders fails to reply within 30 days upon receipt of the written notice, they shall be deemed to have consented to the transfer. If more than half of the other shareholders disagree to the transfer, such dissenting shareholders shall purchase the equity to be transferred. If they refuse to purchase such equity, they shall be deemed to have consented to the transfer (Article 71, PRC Company Law). Revised Draft 2021 deletes the consent threshold of 'more than half of the other shareholders' (Article 85, Revised Draft 2021).

The other shareholders have the right of first refusal to purchase the equity to be transferred upon their consent under the same conditions. If two or more shareholders claim the right of first refusal, they shall determine their respective purchase percentage through negotiation. If they fail to reach an agreement during the negotiation, they shall exercise the right of first refusal based on their respective percentage of capital contributions (Article 71, PRC Company Law).

RIGHTS WHEN A COMPANY IS EXPERIENCING FINANCIAL DIFFICULTIES

Do minority shareholders have any particular rights or protections when a company is experiencing financial difficulties? For example, are they able to demand that the company be wound up?

PRC laws and regulations do not provide any particular rights or protections for minority shareholders when a company is experiencing financial difficulties. Shareholders are not entitled to make petition to the court to demand that a company be wound up merely on the basis that a company has suffered huge economic losses or is unable to pay off its debts (Article 1, *SPC's Decision on Issues regarding Application of PRC Company Law II*).

Nevertheless, shareholders of an LLC or a CLS who hold 10 per cent or more of the voting rights may petition the court to dissolve a company if

- the company is in serious operational difficulties,
- its continuing existence will seriously damage the interests of the shareholders, and
- such difficulties cannot be resolved through any other means (Article 182, PRC Company Law).

A 'company deadlock', which constitutes serious operational difficulties of a company, may entitle shareholders to make a petition for the winding up of a company (Article 1, *SPC's Decision on Issues regarding Application of PRC Company Law II*). Serious operational difficulties of a company include, without limitation:

- failing to convene a shareholders' meeting for two consecutive years;
- failing to reach the minimum quorum required by law or articles of association to pass a valid resolution at a shareholders' meeting for two consecutive years; and
- failing to solve long-term conflicts among directors via shareholders' meetings.

In practice, the court will decide whether there are serious operational difficulties of a company on a case-by-case basis. The operational state of a company's organisational structure will be comprehensively analysed. Although a company may be in a profitable state, if it has long-term failures in its shareholder meeting mechanisms and serious impediments in its internal management, plunging it into a state of deadlock, it can be considered as having serious difficulty in operation or management (*SPC Guiding Case No.8 2012 Lin Fangqing v. Changshu Kailai Industry Co., Ltd and Dai Xiaoming*).

Furthermore, the court is required to explore other measures to solve the company deadlock before it may make the decision to order the winding up of a company. For instance, the court may order that the petitioning shareholder's share be purchased, or order the company to decrease its registered capital (Article 5, *SPC's Decisions on Issues regarding Application of PRC Company Law II*). Only after no other measures to solve the deadlock can be agreed among different parties through the court's mediation, may the court then consider ordering the dissolution of a company as the last resort.

RIGHTS ENFORCEABLE AGAINST OTHER SHAREHOLDERS

Do minority shareholders have any rights or protections which are enforceable against other shareholders, for example, where the majority of shareholders act in contravention of the company's articles of association?

PRC Company Law mandates that a shareholder shall not prejudice the interests of the company or other shareholders by abusing shareholders' rights. Any shareholder of a company that has caused any losses to the company or to other shareholders by abusing shareholders' rights shall be liable for compensation (Article 20, PRC Company Law). Furthermore, the controlling shareholders are prohibited from making use of their relationship as an affiliate to prejudice the interests of the company. Any controlling shareholder that has caused any losses to the company by making use of their affiliation shall be liable for compensation (Article 21, PRC Company Law).

On the basis of the foregoing claims, any shareholders of an LLC, or shareholders of a CLS individually or jointly holding more than 1 per cent of the shares of the company for 180 consecutive days, may bring a derivative lawsuit against other shareholders, including the controlling shareholder based on the causes mentioned in the foregoing paragraphs, provided that

- the written demand is rejected by the board of supervisors or the board of directors;
- the lawsuit has not been initiated within 30 days;
- the company would suffer irreparable damage if the lawsuit does not proceed immediately (Article 151, PRC Company Law).

Shareholders of listed companies are also entitled to bring a derivative lawsuit against shareholders holding more than 5 per cent of the shares of the company who are involved in:

- selling the company's shares that they hold (or held) within six months of purchasing; or
- repurchasing the company's shares within six months of selling them (Article 44, PRC Securities Law).

The PRC Securities Law stipulates that the controlling shareholder at fault shall be liable for compensation, together with the issuer or the CLS, if there are false entries, misleading statements or major omissions in the share offering documents the interim reports, the periodic reports or other materials for information disclosure of the company which cause losses to investors in securities trading (Article 85, PRC Securities Law). On such a basis, minority shareholders may bring lawsuits against the controlling shareholder who has made false representations to seek recovery for their losses suffered as a result (Article 1, *Certain Provisions of the Supreme People's Court on Trial of Civil Compensation Cases Arising from False Statement in Securities Market*).

SUMMARY OF RIGHTS

Below is a table providing a brief summary of the rights of minority shareholders in the People's Republic of China, organised according to the percentage threshold at which the various protections become available.

Shareholding	Description	Reference
One-third or more	<p>The resolutions to amend the articles of association, to increase/decrease of the registered capital of a company or in respect of the merger, division or conversion of a company are required to be adopted by special resolution of a shareholders meeting.</p> <p>This means shareholders of an LLC who represent one-third of the voting rights of an LLC, or shareholders of a CLS who represent one-third of the voting rights of all shareholders present at the shareholders' meeting may block such resolutions.</p>	Articles 43 and 103, PRC Company Law
	<p>Shareholders of a listed company who represent one-third of the voting rights of all shareholders present at the shareholders' meeting may also block resolutions on:</p> <ul style="list-style-type: none"> the purchase or sale of any substantial assets; the provision of a guarantee which exceeds 30 per cent of the total asset value of the company within a given year; share repurchases; the company's application to stop its stock trading; or the company seeking for re-listing on another stock exchange. 	<p>Article 121, PRC Company Law</p> <p>Shenzhen/Shanghai/Beijing Stock Exchange Listing Rules</p>
10 per cent or more	<p>Shareholders individually or jointly holding 10 per cent or more of the voting rights (in respect of an LLC) or shares (in respect of a CLS) of the company have the right to call an interim shareholders' meeting.</p> <p>If the board of directors and the supervisory board of an LLC or a CLS are unable to, or if they fail to, convene the interim shareholders' meeting at the request of such shareholders, such shareholders are entitled to convene and preside the interim shareholders' meeting.</p>	Articles 39, 40, 100 and 101 of PRC Company Law

	The shareholders of a CLS representing 10 per cent or more of the voting rights are entitled to call an interim meeting of the board of directors.	Article 110, PRC Company Law
	<p>Shareholders of an LLC or a CLS holding 10 per cent or more of the voting rights of the company have the right, as a last resort, to request the court to dissolve the company, if</p> <ul style="list-style-type: none"> the company is in serious operational difficulties; and its continuing existence will seriously damage the interests of shareholders. 	Article 182, PRC Company Law
3 per cent or more	<p>Shareholders of a CLS holding 3 per cent or more of the company's shares have the right to submit an interim proposal to the board of directors ten days prior to the date of the shareholders' general meeting.</p> <p>The board of directors shall notify other shareholders within two days of receiving such a proposal, and will submit the proposal to the shareholders' general meeting for resolution.</p>	Article 102, PRC Company Law
1 per cent or more	<p>Shareholders of a CLS holding at least 1 per cent of the shares of the company for 180 consecutive days may bring a derivative lawsuit against directors, supervisors, senior management and others (which may include controlling shareholders and third parties) to recover losses suffered by the company due to these defendants' fault, if:</p> <ul style="list-style-type: none"> the written demand is rejected by the board of supervisors or the board of directors; the lawsuit has not been initiated within 30 days; or the company would suffer irreparable damage if the lawsuit does not be proceeded immediately. 	<p>Article 151, PRC Company Law</p> <p>Article 44, PRC Securities Law</p>
	Shareholders who hold 1 per cent or more shares of a listed company have the right to nominate a candidate as an independent director of the company.	Article 12, Rules for Independent Directors of Listed Companies

	Shareholders who individually or jointly hold more than 1 per cent of the company's shares for more than 180 consecutive days may have a right to engage any agency (eg accounting firm, law firm, etc.) to review the company's accounting books and accounting proof to a necessary extent if such shareholders have reason to believe that operation of the company's business has violated laws, administrative regulations or the company's articles of association.	Article 113, Revised Draft 2021
Any share	Any shareholder of an LLC may bring a derivate lawsuit against directors, supervisors, senior management and others (which may include controlling shareholders and third parties) to recover losses suffered by the company due to these parties' fault, if: <ul style="list-style-type: none"> the written demand is rejected by the board of supervisors or the board of directors; or the lawsuit has not been initiated within 30 days; or the company would suffer irreparable damage if the lawsuit does not proceed immediately. 	Article 151, PRC Company Law
	Any shareholder of an LLC or a CLS has the right to petition the court to revoke any shareholders' or board resolution within 60 days, if either: <ul style="list-style-type: none"> the convening procedures or voting methods adopted in the relevant meeting violate the law or the company's articles of association; or the contents of such resolution violate the company's articles of association. 	Article 22, PRC Company Law
	Shareholders of a CLS are entitled to inspect: <ul style="list-style-type: none"> the company's articles of association; the register of shareholders; corporate bond stubs; minutes of general meetings of shareholders; resolutions of meetings of the board of directors; resolutions of meetings of the board of supervisors; the financial reports; and make suggestions or inquiries about the operation of the company. 	Article 97, PRC Company Law

	<p>Shareholders of an LLC are entitled to inspect and duplicate:</p> <ul style="list-style-type: none"> • the company's articles of association; • minutes of the shareholders' meetings; • resolutions of the meetings of board of directors; • resolutions of meetings of the board of supervisors; and • the financial reports. <p>Shareholders of an LLC may request to inspect the accounting books of the company by submitting a written request to the company which states their purpose(s).</p>	Article 33, PRC Company Law
	<p>Any shareholder of an LLC or a CLS may ask the company to repurchase their shares at a reasonable price if they oppose a merger or spinoff of the company.</p> <p>Additionally, any shareholder of an LLC is also entitled to exercise such rights if they oppose:</p> <ul style="list-style-type: none"> • the company's decision not to distribute dividends for five consecutive profit-making years; or • the disposition of the company's major assets; or • the renewal of the company's term of operation by amending the company's articles of association upon the expiration of its operation term, or upon the occurrence of any other grounds for dissolution as specified in the articles of association. <p>If the Revised Draft 2021 become effective, the shareholders of a CLS are also entitled to ask the company to repurchase their shares at a reasonable price under the abovementioned scenarios in the event that they vote against the relevant resolution.</p>	<p>Article 74 and Article 142, PRC Company Law</p> <p>Articles 172 and 173, Revised Draft 2021</p>
	<p>The shareholders of either an LLC or a CLS may request the company to distribute profits via submitting the effective resolution of the shareholders' general meeting that sets forth the specific distribution plan.</p>	<p>Article 166, PRC Company Law</p> <p>Article 14, SPC's <i>Decision on Issues regarding Application of PRC Company Law IV</i></p>

	Where at the expiration of the period of acquisition, the shareholding structure of the acquired company is no longer in conformity with the conditions for listing, the remaining holders of the shares of the acquired listed company shall have the right to sell their shares to the acquirer on the same terms as stipulated in acquisition, and the acquirer shall acquire such shares accordingly.	Article 74, PRC Securities Law Article 44, PRC Takeover Code
	Right of first refusal by shareholders of an LLC.	Article 71, PRC Company Law
	Shareholders of an LLC are entitled to the preemptive right to subscribe for increased share capital proportionate to their actual paid-up capital, unless otherwise agreed upon by all the shareholders of the LLC. If the Revised Draft 2021 becomes effective, shareholders of a CLS will also enjoy such preemptive right to subscribe for increased share capital if the articles of association of such CLS enables its shareholders to do so.	Article 34, PRC Company Law Article 223, Revised Draft 2021
	In the event of winding up, the remaining assets of a company after deducting the payment of (1) liquidation expenses, (2) employee salaries, (3) social security premiums and statutory compensation, (4) outstanding taxes and (5) debts of the company, shall be distributed to shareholders in accordance with the proportion of the capital contribution (in respect of an LLC) or shares (in respect of a CLS) held by shareholders.	Article 186, PRC Company Law