

# **Shandong Xinhua Pharmaceutical Company Limited**

(a joint stock company incorporated in  
the People's Republic of China with limited liability)

## **Articles of Association**

(This articles of association has been prepared in both Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.)

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## CHAPTER 1 GENERAL PROVISIONS

**Article 1** The Company is a joint stock limited company established in accordance with the “Company Law of the People’s Republic of China” (“Company Law”) and the “Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies” (Special Regulations”) and other relevant laws and administrative regulations of the People’s Republic of China (“PRC”).

The Company was established by way of private subscription pursuant to the approval document, Ti Gai Sheng (1993) No.66 issued by Shandong Province State Commission for Restructuring the Economic System. In August 1996, it was confirmed by the State Commission for Restructuring the Economic System, Ti Gai Sheng (1996) No.116, as a joint stock limited company whose shares are to be issued and listed in Hong Kong. The Company was re-registered by Zibo City Administration for Industry and Commerce and received business licence on 20 November 1998.

The Company's unified social credit code: 91370300164103727C.

The promoter of the Company: Shandong Xinhua Pharmaceutical Factory

**Article 2** In accordance with the Company Law and the Constitution of the Communist Party of China (the “Party”), the Company hereby sets up Party organizations and related working organs, and maintains an adequate level of staffing to handle Party affairs as well as sufficient funding necessary for the activities of the Party organizations. The Party organizations serves core political leadership functions in the Company.

**Article 3** Registered names of the Company

Chinese in full: 山東新華制藥股份有限公司

English in full: Shandong Xinhua Pharmaceutical Company Limited

**Article 4** The legal address of the Company: Chemical Industry Area of Zibo Hi-tech Industry Development Zone, Zibo City, Shandong Province, PRC

Post Code: 255005

Telephone Number: (0533) 218 4223

Facsimile Number: (0533) 228 7508

**Article 5** The legal representative of the Company is the chairman of the Company.

**Article 6** The Company is a joint stock limited company of perpetual duration.

**Article 7** These Articles of Association ("Articles") shall become effective upon its adoption by the shareholders' general meeting by way of a special resolution, and upon approval by the State Commission for Restructuring the Economic System.

From the effective date of these Articles they shall constitute a legally binding document governing the constitution and activities of the Company, the rights and obligations between the Company and its shareholders and the shareholders inter se.

**Article 8** These Articles are binding upon the Company, its shareholders, directors, supervisors, managers and other senior officers. The aforementioned persons may bring claims on matters relating to affairs of the Company in accordance with these Articles.

Shareholders may bring actions against the Company in accordance with these Articles; the Company may bring actions against shareholders in accordance with these Articles; shareholders may bring actions against other shareholders in accordance with these Articles, and shareholders may bring actions against the directors, supervisors, managers and other senior officers of the Company in accordance with these Articles.

For the purpose of this Article, "action" includes proceedings commenced in court and arbitration proceeding commenced in arbitration tribunals.

**Article 9** The Company may invest in other limited liability companies and joint stock limited companies; and accept liability in respect of such companies up to the amount of its investment in such companies. Upon the approval of the companies supervisory authorities authorised by the State Council, the Company may, in accordance with its operation and management needs, operate pursuant to the Company Law.

**Article 10** The entire capital of the Company shall be divided into shares of equal par value, and the liability of a shareholder to the Company is limited by the shares held by him. The Company shall be liable for its debts up to the extent of all its assets.

Subject to compliance with the relevant laws and regulations, the Company is entitled to raise capital and borrow money, including without limitation, the issue of debt securities and the provision of guarantees to any third party, provided that the exercise of such powers shall not prejudice or abrogate the rights of any class of shareholders.

**Article 11** The Company is an independent enterprise legal person. All activities of the Company shall comply with the laws and regulations of the PRC and shall protect the lawful rights of the shareholders. The Company is under the

jurisdiction and protection of the laws, regulations and other relevant government provisions of the PRC.

**Article 12** The Company shall not become a shareholder with unlimited liability of any other economic organisations.

## **CHAPTER 2 OBJECTIVES AND SCOPE OF OPERATIONS**

**Article 13** The objectives of the Company are to take advantage of all factors favourable to the Company, to utilise local and foreign capital to develop the pharmaceutical manufacturing industry, to exploit markets both within and outside the PRC, to adopt advanced scientific management methods, to adapt to market demands and to improve its productivity and efficiency, so as to enable all shareholders of the Company to receive optimal financial benefits.

**Article 14** The scope of operations of the Company shall be that approved by the companies registration authorities of the State Council.

The scope of the Company's businesses covers production of medicine, chemical raw materials, food additives, healthcare food, solid beverages, veterinary products, fish oil, pharmaceutical equipment, medicine inspection instruments and apparatus; technology transfer, service, consultancy and training for projects independently developed by the Company; wholesale and retail of the enterprise's own products; wholesale and retail of traditional Chinese medicine, traditional Chinese medicine decoction pieces, medical devices (Class I, Class II and Class III), contact lens and solutions, test strips (testing reagent), healthcare food, maternity and childcare products, dairy products (including infant milk formula), cosmetics, cleansing products, pre-packaged food, bulk food, general merchandise, elementary agricultural products, seafood, sexual health and family planning products; import and export business; chemical active pharmaceutical ingredients, chemical products, chemical reagents, pharmaceutical intermediates (the above three categories exclude hazardous and precursor chemicals); warehousing services (excluding hazardous goods) and Internet information consultancy and services; and e-commerce entrusted operation.

**Article 15** Depending upon domestic and international market trends, the PRC and the growth capacity of the Company, the Company may adjust its investment policies, its scope of operations and its method of operations as it sees fit, subject to the prior approval of the shareholders' general meeting and the relevant government authorities.

### CHAPTER 3 SHARES AND REGISTERED CAPITAL

**Article 16** The company shares shall be in the form of share certificates. The Company shall at all times have ordinary shares. The Company may, in accordance with its needs and upon obtaining approval by the companies supervisory authorities authorised by the State Council, create other types of shares.

Issuing of company shares shall adopt an open, fair, and just principle. Shares of the same type shall have equal rights. During the issuance of the same type of shares, each share shall have the same conditions of issuance and price. Any such share subscribed by any unit or individual should charge the same price.

**Article 17** Shares issued by the Company shall have a par value. Each share shall have a par value of RMB 1 yuan.

**Article 18** The Company may issue shares to either or both domestic investors and foreign investors upon obtaining approval from the securities regulatory authorities of the State Council.

For the purpose of the preceding paragraph, "foreign investors" means investors from outside the PRC and the territories of Hong Kong, Macau and Taiwan who subscribe for shares issued by the Company; "domestic investors" means investors who subscribe for shares issued by the Company from within the PRC other than from the aforesaid territories.

**Article 19** The shares issued by the Company to domestic investors which are subscribed for in Renminbi are called "domestic shares". The shares issued by the Company to foreign investors which are subscribed for in foreign currencies are called "foreign shares". Domestic shares which are listed within the PRC are called "domestic listed shares". Foreign shares which are listed outside the PRC are called "overseas listed foreign shares".

**Article 20** By approval of the companies examination and approval department authorised by the State Council, the total number of ordinary shares of the Company could issue was 457,312,830 shares, including 217,440,000 state-owned shares issued to the promoter of the Company at the time when the Company was established, 16,719,500 legal person shares and 33,153,330 employee shares. As approved by China Securities Regulatory Commission, the Company issued 150,000,000 overseas listed foreign shares in 1996 and 10,000,000 domestically listed domestic shares to the domestic public in 1997. As approved by China Securities Regulatory Commission, the Company issued 30,000,000 domestically listed domestic shares to the domestic public in 2001. Meanwhile, the state-owned shares of the Company

held by Shandong Xinhua Pharmaceutical Group Company Limited disposed of 30,000,000 shares in accordance with Cai Shui Cai Qi Bian Han [2001] No. 78 issued by the Ministry of Finance. In accordance with Lu Guo Zi Chan Quan Han [2006] No.74 issued by Shandong Provincial State-owned Assets Supervision and Administration Commission, Shandong Xinhua Pharmaceutical Group Company Limited offered 26,653,665 shares to all holders of circulating A shares as consideration.

By the Approval Document [2017] No. 459 issued by the China Securities Regulatory Commission, for the year 2017 the Company was allowed to proceed with the non-public issuance of 21,040,591 domestic shares to be listed in the PRC. Upon completion of the issuance, the structure of share capital of the Company is: the total number of shares is 478,353,421 shares, of which all are ordinary shares and listed domestic shares in the PRC are 328,353,421 shares, representing approximately 68.64% of the total number of shares of the Company; overseas listed foreign shares are 150,000,000 shares, representing approximately 31.36% of the total number of shares of the Company.

On implementation of the Profit Distribution Plan 2017, the structure of share capital of the Company is: the total number of shares is 621,859,447 shares, of which all are ordinary shares comprising listed domestic shares in the PRC of 426,859,447 shares, representing approximately 68.64% of the total number of shares of the Company, and overseas listed foreign shares of 195,000,000 shares, representing approximately 31.36% of the total number of shares of the Company.

**Article 21** The board of directors may make separate arrangements to implement the Company's plan to issue overseas listed foreign shares and domestic shares, subject to the prior approval of such plan by the securities regulatory authorities of the State Council.

The Company's plan for separate issues of overseas listed foreign shares and domestic shares referred to in this Article may be implemented separately within 15 months of the date of approval by the Securities Commission of the State Council.

**Article 22** The overseas listed foreign shares and domestic shares, referred to in the Company's aforementioned share issue plan, shall be fully subscribed in one payment. Where there are special circumstances which render it impossible for such shares to be fully subscribed in one payment, separate issues of the shares may be made subject to the approval of the Securities Commission of the State

Council.

Domestic shares issued by the company are centrally stored at China Securities Depository and Clearing Company Limited while the Company's foreign capital shares listed abroad shall be stored as specified in Article 40 hereunder.

**Article 23** The registered capital of the Company is RMB 621,859,447 yuan.

**Article 24** The Company may in accordance with the provisions of these Articles increase its capital according to its business and development requirements. The following methods may be used for increasing the capital of the Company: -

(1) by offering new shares to general investors;

(2) by placing new shares with existing shareholders;

(3) by a bonus issue of shares to existing shareholders; or

(4) by any other methods permitted under PRC laws and administrative regulations and approved by China Securities Regulatory Commission. The issuance of new shares to increase the capital by the Company shall be subject to approval as specified in the Articles of Association and follow the procedures specified by the relevant laws and administrative regulations of the PRC.

In increasing the capital of the Company through a new issue of shares, the Company shall, after obtaining the necessary approvals in accordance with these Articles, implement such increase in accordance with the procedures prescribed by the relevant PRC laws and administrative regulations.

**Article 25** Unless otherwise prescribed by law and /or administrative regulations, the shares of the Company shall be freely transferable without any liens.

Under any circumstances required by these Articles, shareholders of any overseas listed foreign shares listed in Hong Kong may transfer the whole or part of their shareholding by written transfer documents in a generally or ordinarily accepted form or in any other form acceptable to the board of directors; and such documents may be signed by hand.

**Article 26** If a promoter holds shares of the company, he cannot transfer those shares within 1 year of incorporation of the company. Shares issued before public issuance by the Company shall not be transferred within 1 year of the Company securing listed status.

The company directors, supervisors, and senior management personnel should declare to the Company the shares held by them and any changes to those

shares. When they are holding these posts, they cannot transfer more than 25% of the total shares held by them in the company per year. The Shares held cannot be transferred within one year of the company securing listed status. After the above personnel leave their posts, they cannot transfer the shares held in the Company within six months.

If a company director, supervisor, senior management personnel, or shareholder holding 5% or more of shares in the Company, sells shares in the Company within six months of buying those shares, or buying those shares within six months of selling, all the resulting profits should belong to the Company. Those profits shall be collected by the Board of Directors.

But if a securities company undertakes unsold shares, thereby holding more than 5% of the shares, the sale of these shares shall not be subject to the said 6 month restriction.

If the Board does not comply with the foregoing paragraph, the shareholders can request the Board to do so within 30 days. If the Board does not comply within the said period, the shareholders are entitled to start litigation in the People's Court in their own names for the interest of the Company.

#### **CHAPTER 4    REDUCTION OF CAPITAL AND REPURCHASE OF SHARES**

**Article 27**     The Company may reduce its registered capital in accordance with the provisions of Articles.

**Article 28**     When the Company reduces its registered capital, a balance sheet and a list of the Company's assets shall be prepared.

The Company shall notify its creditors of its decision within 10 days from the date of the resolution to reduce its registered capital, and shall make at least 3 public announcements in newspapers within the 30 days following the date of the said resolution. All creditors shall have the right, within 30 days of receiving the said notice, or, if such notice was not received, within 90 days of the date of the first public announcement, to require the Company to repay its debts or to provide security of equivalent value for the repayment of such debts. The Company may not reduce its registered capital to a level lower than the minimum amount prescribed by law.

**Article 29**     The Company may, upon obtaining approval in accordance with procedures specified in these Articles, and in compliance with all applicable laws,

regulations and other relevant provisions, repurchase its own shares according to legal procedures in the following circumstances: -

- (1) to cancel its shares for the purpose of reducing its share capital;
- (2) to merge with another company which holds the shares of the Company;
- (3) to apply the shares for the purpose of employee stock ownership plan or equity-based incentives;
- (4) where any shareholder who objects to the resolutions adopted at the shareholders' general meeting concerning merger and division of the Company requests the Company to purchase the shares he/she holds;
- (5) to convert the shares into corporate bonds issued by listed company/companies that could be converted into shares;
- (6) where it is necessary in order to maintain the Company's value and the shareholders' rights;
- (7) under any other circumstances permitted by law and administrative regulations.

Save as the above, the Company shall not repurchase its own shares.

**Article 30** The Company may repurchase its own shares by one of the following methods:

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- (1) by way of a general offer to all shareholders in proportion to their respective shareholdings;
  - (2) by a repurchase of the Company's shares through open trading on a stock exchange;
  - (3) by entering into an independent agreement for the repurchase of the Company's shares outside a stock exchange;
  - (4) by other methods permitted by laws, administrative regulations and the regulatory authority.

Whereas any repurchase of the Company's shares is conducted in accordance with circumstances specified in Articles 29(3), 29(5) and 29(6), the repurchase should be conducted through open and centralized trading.

**Article 31** When the Company repurchases its own shares under the circumstances specified in Article 20(1) and Article 29(2) of the Articles, it must first obtain the prior approval of the shareholders at a shareholders' general meeting; whereas for repurchases under the circumstances specified in Article 29(3),

Article 29(5) and Article 29(6) of the Articles, the repurchase of shares by the Company shall be in accordance with these Articles or the Company shall obtain authorization at a shareholders' meeting with approval by resolution(s) of the board at a board meeting attended by more than two-thirds directors. Subject to prior approval of the shareholders' general meeting or board of directors in the same method, the Company may rescind or vary any such contract it entered into or waive its rights thereunder.

A contract for the repurchase of shares referred to in the above paragraph of this Article includes, without limitation, an agreement to assume an obligation to repurchase or an agreement to acquire the right to repurchase shares of the Company.

The Company shall not assign a contract to repurchase its shares nor any of its rights under such a contract.

**Article 32** Shares repurchased by the Company in accordance with the laws and provisions in Article 29 of these Articles, if falling into the circumstances specified under Article 29(1), shall be cancelled within 10 days since the date of repurchase; if falling into the circumstances specified under Article 29(2) and Article 29(4), shall be transferred or cancelled within 6 months and an application shall be made to the companies registration authorities (where the Company was registered) to change the registered capital; if falling into the circumstances specified in Article 29(3), Article 29(5) and Article 29(6), shall be transferred or cancelled within 3 years and the total number of shares of the Company held by the Company shall not exceed 10% of total issued shares of the Company.

The Company's registered capital shall be reduced by the aggregate par value of the cancelled shares.

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

**Article 33** Unless the Company is in liquidation, the Company shall repurchase its issued shares in accordance with the following provisions: -

(1) where the Company repurchases its shares at par value, payment shall be made out of the available balance of its distributable profits and/or out of the proceeds from any issue of new shares made for the purpose of repurchasing those existing shares;

(2) where the Company repurchases its shares at a value in excess of the par value of those shares, partial payment of the consideration for those shares up to their par value may be made out of the available balance of the distributable profits of the Company and/or the proceeds from any issue of new shares made for the purpose of repurchasing those shares. Payment of the part of the

consideration which is in excess of the par value of those shares shall be made as follows: -

- (i) if the shares being repurchased were issued at their par value, payment shall be made out of the available balance of the distributable profits of the Company;
- (ii) if the shares being repurchased were issued at a premium, payment shall be made out of the available balance of the distributable profits of the Company and/or the proceeds from any issue of new shares made for the purpose of repurchasing those shares, provided that the amount paid out of such proceeds neither exceed
  - (a) the aggregate amount of the premiums received by the Company on the issue of the shares being repurchased nor;
  - (b) the amount of the capital reserve fund account of the Company (including the aggregate of premiums received from the new shares issued at the time of the repurchase);
- (3) any sum paid by the Company for the following purposes should be paid out of the Company's distributable profits:-
  - (i) to acquire the right to repurchase its own shares;
  - (ii) to vary a contract to repurchase its own shares; or
  - (iii) to secure the release of any of its own obligations under a contract to repurchase its own shares;
- (4) following the deduction of the aggregate par value of cancelled shares from the registered capital of the Company in accordance with the relevant regulations, the amount of distributable profits used for payment of the par value of such shares shall be charged to the capital reserve fund account of the Company.

## **CHAPTER 5 FINANCIAL ASSISTANCE FOR ACQUISITION OF SHARES**

**Article 34** The Company and its subsidiaries shall not at any time and in any manner provide any form of financial assistance to a person purchasing or who intends to purchase the shares of the Company. For the purpose of this Article, a purchaser of the Company's shares includes a person who directly or indirectly

undertakes any form of obligations as a result of a purchase of the Company's shares.

The Company and its subsidiaries shall not at any time and in any manner provide any form of financial assistance for the purpose of reducing or discharging the obligations of a purchaser of the Company's shares as described in the foregoing paragraph.

This provision shall not apply to the circumstances described in Article 36 of this Chapter.

**Article 35** "Financial assistance" referred to in this Chapter includes (without limitation) financial assistance provided by way of: -

- (1) gift;
- (2) guarantee (including cases where the guarantor assumes any obligation(s) or provides security in the form of its assets in order to guarantee the performance of obligations by the obligor), indemnity (other than an indemnity given in respect of the Company's own default), release or waiver;
- (3) a loan or a contract under which the obligations of the Company have to be fulfilled before the obligations of the other side; or, a change in the parties to that loan or contract, or the assignment of any rights under that loan or contract etc; and
- (4) financial assistance given in any other form under circumstances whereby the Company is unable to pay its debts or has no net assets, or whereby the Company's net assets may be reduced by a material extent.

For the purpose of this Chapter, any reference to an assumption of obligation(s) includes (without limitation) situations where the obligor enters into a contract or makes any arrangements (without regard to whether such contract or arrangement is enforceable, and without regard to whether the obligations under such a contract or arrangement are to be borne by that obligor alone or together with other party or parties); and situations where a party's financial position is changed, without regard to the means by which those changes are brought about.

**Article 36** The following acts shall not be deemed prohibited by Article 34 of this Chapter:

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- (1) where the financial assistance is provided by the Company in good faith and in the interests of the Company, and the main purpose of that financial assistance is not to facilitate the acquisition of shares in the Company or that financial assistance is an incidental part of some broader purpose of the Company;
- (2) where the Company is lawfully distributing its assets by way of dividend;
- (3) the distribution of dividend by way of an allotment of bonus shares;
- (4) a reduction of the Company's registered capital, a repurchase of the Company's shares or a reorganisation of the structure of the Company's share capital etc. In accordance with these Articles;
- (5) where the Company provides a loan which is within its scope of operations and which is in the ordinary course of its business (provided that the Company's net assets are not reduced as a result of such a loan, or where the Company's net assets are reduced, to the extent that those assets are reduced, the financial assistance is provided out of the distributable profits of the Company);
- (6) contributions of money by the Company to employees' shares schemes (provided that the Company's net assets are not reduced as a result of such contributions, or where the Company's net assets are reduce, to the extent that those assets are reduced, the financial assistance is provided out of the distributable profits of the Company).

## **CHAPTER 6 SHARE CERTIFICATES AND SHARE REGISTER**

**Article 37** Shares in the Company shall be in the form of registered share certificates.

Share certificates shall contain matters prescribed by the Company Law and the rules of the stock exchange(s) on which the Company's shares are listed.

**Article 38** Share certificates shall be signed by the chairman. If a stock exchange on which the Company's shares are listed requires the share certificates to be signed by other senior officers of the Company, the share certificates shall also be signed by such senior officers. The share certificates shall become valid after they are affixed with the Company's seal or a machine-imprinted seal of the Company. The seal or a machine-imprinted seal of the Company. The seal of the Company shall not be affixed to any share certificates without the prior authorisation of the board of directors. The signatures of the chairman and/or

other senior officers of the Company on the share certificates may take the form of machine-imprinted signatures.

**Article 39** The Company shall maintain a register of shareholders as a record of the following matters: -

- (1) the name (title), address (resident) and occupation/nature of occupation of each shareholders;
- (2) the class(es) and number of shares of each class held by each shareholder;
- (3) the amount(s) paid up or payable on the shares held by each shareholder;
- (4) the serial numbers of the shares held by each shareholder;
- (5) the date on which each person registers to become a shareholder;
- (6) The date on which a person ceases to be a shareholder.

The register of shareholders is a sufficient evidence of the shareholders holding shares in the company, except contrary evidence.

**Article 40** The Company may, in accordance with any understanding or agreement reached between the securities regulatory authorities of the State Council and overseas securities regulatory authorities, keep the register of holders of overseas listed foreign shares outside the PRC, and appoint (an) overseas agent(s) to oversee the maintenance of that register. The original of the register of holders of overseas listed foreign shares listed in Hong Kong shall be maintained in Hong Kong.

Duplicates of the register(s) of holders of overseas listed foreign shares shall be kept at the Company's legal address. The overseas agent(s) appointed to oversee the maintenance of the register of holders of overseas listed foreign shares shall ensure that such duplicate register(s) is consistent with the original register(s) at all times.

Where there are inconsistencies between the original register(s) and duplicate register(s), the original register(s) shall prevail.

**Article 41** The Company shall keep a complete register of shareholders, which shall comprise the following parts: -

- (1) register(s) maintained at the Company's domicile, which shall be register of all shareholders other than those registered in accordance with paragraph (2) and (3) of this Article;

(2) register(s) of holders of overseas listed foreign shares maintained at the place(s) where the stock exchanges on such shares are listed is/are located; and

(3) register(s) maintained at such other place(s) as the board of directors may deem necessary for the purpose of listing the Company's shares.

**Article 42** Different parts of the register of shareholders shall not overlap. No transfer of shares registered in one part of the register of shareholders shall, for the period during which those shares remain registered, be registered in any other part of the register of shareholders.

All fully paid up overseas listed foreign shares listed in Hong Kong shall be freely transferable in accordance with these Articles, subject to the right of the board of directors to refuse recognition of any transfer document, without providing any reason for such refusal, unless and until the following conditions are satisfied: -

(1) payment of a fee of HK\$2.50, or such larger amount as may from time to time be approved by the Hong Kong Stock Exchange, to the Company for the registration of any transfer document(s) or other document(s) relating to or affecting the ownership of the shares in question or the change of ownership of those shares;

(2) the transfer document relates only to overseas listed foreign shares listed in Hong Kong;

(3) payment in full of any stamp duty due on the transfer document;

(4) production of the relevant share certificates and any other evidence reasonably required by the board of directors to prove the transferor's right to make the transfer;

(5) if the shares are to be transferred to joint holders, the number of joint holders do not exceed four; and

(6) the relevant shares are free from all liens of the Company.

Amendments or rectification to any parts to any parts of the register of shareholders shall be made in accordance with the applicable laws of the place where that part of the register of shareholders is kept.

**Article 43** Any laws, regulations and listing rules of the place where the shares of the Company are listed concerning the book closure period prior to the holding of a shareholders' general meeting or the record date for the determination of entitlements to dividend distributions by the Company shall be observed.

**Article 44** When the Company convenes a shareholders' general meeting, distributes dividends, goes into liquidation or carries out other activities which require the identification of its shareholders for the time being, the Board of Directors or the convener of the general meeting of shareholders shall fix a day to be the record date for the purpose of determining the shareholders for the time being, and a shareholder whose name appears in the register of shareholders as at the close of business on the record date shall be a shareholder of the Company.

**Article 45** Any person who has any objection to the register of shareholders, and seeks to enter his name on the register of shareholders or to delete his name from the register of shareholders may in each case apply to a court of competent jurisdiction to register of shareholders.

**Article 46** Any shareholder who is registered on the register of shareholders or any person who requests for his name to be entered in the register of shareholders may, if he has lost his share certificate(s) ("original certificate"), apply to the Company for the issue of replacement certificate(s) in respect of those shares ("relevant shares").

A holder of domestic shares who has lost his share certificate(s) and applies for replacement certificate(s) to be issued, shall comply with the provisions of Article 150 of the Company Law.

A holder of overseas listed foreign shares who has lost his share certificate(s) and applies for replacement certificate(s) to be issued may do so in accordance with law and regulations of the relevant stock exchange or other relevant requirements of the place where the relevant register of overseas listed foreign shareholders is kept.

When a holder of overseas listed foreign shares listed in Hong Kong, who has lost his share certificate(s), applies for replacement certificate(s) to be issued, the following conditions shall be fulfilled prior to the issue of the replacement certificate(s):-

(1) the applicant shall submit an application to the Company in a form prescribed by the Company accompanied by a notarised document or a statutory declaration, the contents of which shall include the grounds on which the application is made, the circumstances of the loss of the original certificate, such other particulars as may be required in order to support the grounds upon which the application is made, and a declaration that no other person is entitled to be registered as a shareholder in respect of the relevant shares.

(2) The Company did not receive, prior to the issue of the replacement share certificate(s), any declaration(s) from any person(s), other than the applicant, seeking to be registered as a shareholder in respect of the share(s) in question.

(3) Prior to the issue of (a) replacement share certificate(s) to the applicant, the Company shall make an announcement of such proposed issue at least once over every 30 days for a period of 90 days in such newspapers as may be chosen by the board of directors for this purpose.

(4) Prior to publication of the public announcement regarding the proposed issue of replacement share certificate(s), the Company shall deliver to the stock exchange on which the relevant shares are listed a copy of such proposed announcement. The announcement shall be published in the newspapers chosen by the board of directors, after the receipt of a confirmation from the said stock exchange that the proposed announcement is being and will be exhibited on the said stock exchange for a period of 90 days.

If the application for the issue of replacement certificate(s) does not have the consent of the person(s) registered in the register of shareholders as the holder(s) of the share(s) in question, the Company shall send a copy of the proposed announcement by post to such person(s) registered as the holder(s) of those share(s).

(5) If, upon the expiration of the 90-day periods referred to in paragraphs (3) and (4) of this Article, the Company has not received any objection to the issue of replacement certificate(s), the Company may issue replacement share certificate(s) pursuant to the application made by the applicant.

(6) When the Company issues replacement share certificate(s) under this Article, it shall forthwith cancel the original certificate(s), and enter the details of such cancellation and replacement issue in the register of shareholders.

(7) All expenses incurred by the Company in connection with the cancellation of the original certificate(s) and the issue of replacement share certificate(s) shall be borne by the applicant. The Company may refuse to take any action to replace any lost certificate(s) unless and until reasonable security is provided by the applicant for such expenses.

**Article 47** Once (a) replacement share certificate(s) is/are issued in accordance with these Articles, the name of a bona fide purchaser who acquires the replacement share certificate(s) or a person (if a bona fide purchaser) whose name is subsequently entered in the register of shareholders in respect of the shares in question shall not be removed from the register of shareholders.

**Article 48** The Company shall not be liable for any loss or damage suffered by any person as a result of the cancellation of an original certificate or the issue of a replacement shares certificate, unless the claimant proves that the Company has acted fraudulently.

## **CHAPTER 7 RIGHTS AND OBLIGATIONS OF SHAREHOLDERS**

**Article 49** A shareholder of the Company is a person who lawfully holds shares of the Company and whose name is entered in the register of shareholders.

A shareholder shall enjoy the rights and shall bear the obligations attached to the class(es) and the proportion of shares held by him; shareholders holding the same class of shares shall be entitled to the same rights and shall bear the same obligations.

**Article 50** Where two or more persons are registered as the joint holders of any shares, they shall be deemed to hold those shares as joint owners, subject to the following provisions: -

(1) the Company shall not be bound to register more than four persons as the joint holders of any share;

(2) joint holders are liable severally as well as jointly for all payments which have to be made in respect of their share(s);

(3) on the death of any one of such joint holders, the survivor(s) of joint holders shall be the only person or persons recognised by the Company as having title to the shares in question but the board of directors may require such evidence of death as it sees fit; and

(4) in respect of joint holders of any share(s), only the joint holder whose name stands first in the register of shareholders shall be entitled to receive the certificate(s) relating to such share(s), to receive notices from the Company, to attend or vote at general meetings of the Company. Any notice given to such person shall constitute notice to all the other joint holders.

**Article 51** Ordinary shareholders of the Company shall enjoy the following rights: -

(1) to receive dividends and other distributions in proportion to the proportion of shares held by him;

- (2) to attend and vote or appoint proxies to attend and vote on his behalf at shareholders' general meetings;
- (3) to supervise the business operations the Company, to make suggestions or to raise queries;
- (4) to transfer his shares in accordance with the applicable laws, administrative regulations and these Articles;
- (5) to receive relevant information in accordance with these Articles including:-
  - (a) to obtain a copy of these Articles upon payment of the costs thereof;
  - (b) to inspect and obtain a copy of, upon the payment of a reasonable fee:-
    - (i) all parts of the register of shareholders;
    - (ii) the personal particulars of each of the directors, supervisors, managers and other senior officers, including:-
      - (a) names and aliases of current and previous;
      - (b) main address (residence);
      - (c) nationality;
      - (d) Full-time and part-time occupations or positions;
      - (e) identity document and its number;
    - (iii) the status of the Company's share capital;
    - (iv) a report showing the aggregate par value, the number, and the maximum and minimum prices paid by the Company in respect of each class of the shares repurchased by the Company since the previous financial year, and all expenses paid by the Company for this purpose;
    - (v) minutes of shareholders' meetings.
- (6) In the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company according to the proportion of shares held by the Company since the previous financial year, and all expenses paid by the Company for this purpose.
- (7) other rights conferred by relevant laws and administrative regulations, and these Articles.

Shareholders who wishes to inquire about the information of the abovementioned items, should tender documentary evidence showing the

category and the number of shares he is holding, the Company will provide the relevant information after confirming the shareholder status.

**Article 52**

When a shareholder presents a request to inspect or acquire the information under the preceding Articles, he should present proof of the type and number of shareholding in writing. The Company should comply with the shareholder's request after verifying his identity.

If a resolution passed at the Company's general meeting or Board meeting violates the laws or administrative regulations, the shareholders shall have the right to plead to the People's Court to render the same invalid.

If the procedures for convening, or the method of voting at, a shareholders' general meeting or Board meeting violate the laws, administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, shareholders shall be entitled to initiate proceeding to the People's Court to rescind such resolutions within 60 days from the date on which such resolution is adopted.

Where the Company incurs losses as a result of Directors' and senior management's violation of the laws, administrative regulations or the Articles of Association in the course of performing their duties with the Company, shareholders individually or jointly holding 1% or more of the Company's shares for more than 180 consecutive days shall be entitled to request in writing the Supervisory Committee to initiate proceedings in the People's Court. Where the Company incurs losses as a result of the Supervisory Committee' violation of any provision of laws, administrative regulations or the Articles of Association in the course of performing its duties with the Company, the shareholders shall be entitled to make a request in writing to the Board to initiate proceedings in the People's Court.

In the event that the Supervisory Committee or the Board refuses to initiate proceedings after receiving the written request of shareholders stated in the

foregoing paragraph, or fails to initiate such proceedings within 30 days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings immediately will result in irreparable damage to the Company's interests, shareholders described in the preceding paragraph shall have the right to initiate proceedings in the People's Court directly in their own names in the interest of the Company.

Shareholders described in the first paragraph of this Article may also initiate proceedings in accordance with the preceding two paragraphs in the event that the Company incurs losses as a result of the lawful interests of the Company being infringed upon by any third parties.

**Article 53** A holder of ordinary shares in the Company shall have the following obligations:-

- (1) to abide by these Articles;
- (2) to pay subscription monies in accordance with the shares subscribed to by him and the manner of subscription;
- (3) other obligations imposed by relevant laws, administrative regulations and these Articles.

Save in respect of terms agreed by the subscriber at the time of subscription of the shares, a shareholder shall not be liable to subscribe for any further share capital.

Where a shareholder holding 5% or more voting shares of the Company pledges any shares in his possession, he shall report the same to the Company in writing on the day on which he pledges his shares.

**Article 54** Apart from the obligations imposed by law, administrative regulations or the listing rules of the stock exchange(s) on which shares of the Company are listed, a controlling shareholder when exercising his rights as a shareholder shall not, by virtue of the exercise of his voting rights, cause a decision to be made such as to prejudice the interests of the general body of shareholders or a group of shareholders in relation to the following matters: -

- (1) to release a director or supervisor from his duty to act honestly in the best interests of the Company;

(2) to approve an expropriation in any form by a director or supervisor (for his own benefit or for the benefit of another person) of the Company's assets including (but not limited to) any business or other opportunities of the Company; or

(3) to approve an expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of personal rights of other shareholders, including (but not including a restructuring of the Company submitted to and approved by shareholders in general meeting in accordance with these Articles.

**Article 55** A controlling shareholder referred to in the preceding Article means a person who satisfies any one of the following conditions: -

(1) he, when acting alone for or together with others, has the power to elect more than half of the directors;

(2) he, when acting alone for or together with others, has the power to exercise 30 per cent. or more of the voting rights in the Company or to control the exercise of 30 per cent. or more of the voting rights in the Company;

(3) he, alone or together with others, holds 30 per cent. or more of the issued shares of the Company; or

(4) he, when acting alone for or together with others, has de facto control of the Company, whether directly or indirectly.

**Article 55(a)** The controlling shareholders (the “Controlling Shareholders”) and the de facto controllers of the Company owe fiduciary duties to the Company and the public shareholders of the Company. The Controlling Shareholders shall exercise the rights of the persons contributing capital in strict compliance with the law and shall not undermine the legal interests of the Company or the public shareholders of the Company through connected transactions, profit distributions, assets restructuring, foreign investment, capital appropriation, loan and guarantee etc. or through their controlling status.

If the controlling shareholder or de facto controller violates the above paragraph, he/she shall indemnify the Company against losses incurred due to such violation.

## **CHAPTER 8 SHAREHOLDERS' GENERAL MEETINGS**

**Article 56** The shareholders' general meeting is the organ of power in the Company and its functions and powers shall be exercised in accordance with the law.

**Article 57** The shareholders' general meeting shall have the following functions and powers:-

- (1) to determine the operational policies and investment plans of the Company;
- (2) to appoint and replace directors and to decide matters concerning directors' remuneration;
- (3) to appoint and replace a shareholders' representative(s) to sit on the supervisory committee and to decide matters concerning supervisors' remuneration;
- (4) to consider and approve reports of the board of directors;
- (5) to consider and approve reports of the supervisory committee;
- (6) to consider and approve the annual financial budgets and final accounts of the Company;
- (7) to consider and approve proposals for the distribution of the Company's profits and plans for making up any losses of the Company;
- (8) to consider and decide on proposals to increase or reduce the registered capital of the Company;
- (9) to consider and decide matters concerning the merger, demerger, dissolution and liquidation or alteration of corporate form of the Company;
- (10) to consider and decide on the issue of debt securities by the Company;
- (11) to consider and decide the appointment, dismissal or renewal of appointment of a firm of accountants;
- (12) to examine and approve the provision of guarantees under Article 58;
- (13) to examine matters relating to the purchases and disposals of the Company's material assets within one year, which exceed 30% of the Company's latest audited total assets;
- (14) to make amendments to these Articles;
- (15) to consider any resolution(s) proposed by shareholders representing 3% or more of the shares carrying voting rights, and to decide such proposals;

(16) to consider and decide any other matters required by law, administrative regulations or these Articles to be dealt with in a shareholders' general meeting.

**Article 58** Any guarantees of the Company shall be subject to approval by the general meeting of shareholders: -

(I) any guarantee provided after the total amount of guarantee to third parties provided by the Company has reached or exceeded 30% of the Company's latest audited total assets;

(II) resolution for a single external guarantee of which the amount exceeds 10% of the Company's combined net assets of last year audited as per Chinese accounting standards;

(III) guarantee provided for shareholders, de facto controllers and their related parties.

**Article 59** Except where the Company is in crisis or any extraordinary circumstance, the Company shall not, without the prior approval of the shareholders' general meeting by way of special resolution, enter into any contract with any person, who is not a director, supervisor, manager or other senior management officer of a Company, to give to such a person the responsibility for the management of the whole or a substantial part of the business of the Company.

**Article 60** Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meetings shall be convened by the board of directors. Annual general meetings shall be held once every year within six months after the end of each financial year.

The board of directors shall convene an extraordinary general meeting within 2 months of the occurrence of any one of the following events: -

(1) when the number of directors is less than the number prescribed by the Company Law or less than two-thirds of the number prescribed in these Articles;

(2) when the losses of the Company amount to one-third of its share capital;

(3) upon the requisition in writing of holders of 10 per cent. or more of the issued voting shares;

(4) when the board of directors considers it necessary or upon the request of the supervisory committee.

(5) such other circumstances as provided for by laws and regulations, administrative rules or the Articles of Association.

**Article 61** When the Company convenes an annual shareholders' general meeting, it shall, at least 20 working days prior to the date of the meeting, notify all shareholders by public announcement; when the Company convenes an extraordinary general meeting, it shall, at least 10 working days or 15 working days (whichever is longer) prior to the date of the meeting, notify all shareholders by public announcement. Shareholders who intend to attend the meeting shall deposit at the Company written replies confirming their intention to attend within the time limit specified in the notice of the meeting.

The Company shall exclude the date of the meeting when determining the starting date of the time limit.

The shareholders' general meeting shall have a venue and be held on-site. The Company may provide internet or other means for the purpose of providing convenience to shareholders attending the shareholders' general meeting. A shareholder who participates in a general meeting in the aforesaid manner shall be deemed to have been present at the meeting.

**Article 62** When the Company convenes shareholders' general meeting, the Board of Directors, the Supervisory Committee and shareholder(s), severally or jointly, holding 3 percent or more of the shares of the Company carrying voting rights are entitled to put forward a proposal in writing (except those stated in Article 121(a) of Chapter 10) to be considered at the meeting.

Shareholders, severally or jointly, holding 3 percent or more of the shares of the Company carrying voting rights may put forward a temporary proposal and submit it to the board of directors in writing 10 days prior to the date of shareholders' meeting; and the board of directors shall, within 2 days after receipt of the proposal, notify other shareholders and present the temporary proposal to shareholders' general meeting for deliberation. The content of the temporary proposal should be within the scope of functions and powers of the shareholder's general meeting and there shall be clear and definite topics and specific matters to resolve.

The Company shall include in the notice and agenda of that meeting those matters contained in the proposal which are within the scope of the functions and powers of the shareholders' general meeting, provided that the said proposal shall be delivered to the Company at least 7 days prior to that general

meeting after notice of that general meeting was given.

Except for above-mentioned provisions, the convener, after issuing notice of shareholder's general meeting, shall not revise the proposal specified or add new proposal in the shareholder's general meeting notice.

**Article 63** A shareholders' general meeting may not decide by vote and pass any resolution with regard to any proposal not set out in the notice convening that meeting or not in compliance with provisions of these Articles.

**Article 64** Notice of a shareholders' general meeting shall: -

- (1) be given in writing;
- (2) specify the place, the date and the time of the meeting;
- (3) state the matters to be considered at the meeting;
- (4) provide the shareholders such information and explanation as necessary for the shareholders to make an informed decision on the matters proposed to be considered. Without limiting the generality of the foregoing principle, such information and explanation shall include, in the case of a proposal for the Company to merge with another, repurchase shares, reorganise its share capital, or restructure in any other way, the details of the agreed terms of, and the contract (if any) for, the proposed transaction, and the reason for and the effect of such proposal must be properly explained;
- (5) if any director, supervisor, manager or other senior management officer has a material interest in a matter to be considered at the general meeting, he shall disclose the nature and extent of such interest; if the matter to be considered affects a director, supervisor, manager or other senior management officer in his capacity as a shareholder in a manner different from the manner in which the other shareholders of the same class are affected, then such differences should be declared;
- (6) contain the text of any special resolution proposed to be passed at the general meeting;
- (7) contain, in conspicuous wording, a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote at the meeting instead of him and that a proxy so appointed need not be a shareholder; and

- (8) specify the time and place for lodging the proxy form(s) for the general meeting.
- (9) the date of registration of equity entitlements for shareholders having the right to attend the general meeting;
- (10) the names and contact telephone numbers of the regular contact persons in connection with the meeting.

**Article 65** Notices of shareholders' general meetings shall be served on all shareholders (whether or not they are entitled to vote thereat) by personal delivery or prepaid post at their addresses registered in the register of shareholders. In respect of holders of domestic shares, notices of shareholders' general meetings may also be given by way of a public announcement.

The aforesaid public announcement shall be published, within the time limit specified in Article 61 of these Articles, on the website of the stock exchange and on the media in compliance with requirements set by the securities regulatory authorities of the State Council. Once the public announcement is made, all holders of domestic shares shall be deemed to have received notice of the relevant shareholders' general meeting.

**Article 66** An accidental omission to give notice of a general meeting to any person entitled to receive notice or a failure by such person(s) to receive such notice shall not invalidate that general meeting and any resolution passed at that meeting.

**Article 67** Where the elections of Directors and Supervisors are to be discussed, a notice of the general meeting of shareholders shall fully disclose the particulars of the candidates for Directors and supervisors and shall at least include the following contents:-

- (I) personal particulars such as educational background, working experience and part-time job;
- (II) whether or not the candidate has any connected relationship with the Company or its controlling shareholders and de facto controllers;
- (III) disclose the number of shares of the Company held by the candidate;
- (IV) whether or not the candidate has been subject to penalties by the China Securities Regulatory Commission and other relevant authorities as well as sanctions by any stock exchange.

Save for the elections of Directors and Supervisors held by adopting cumulative voting system, each candidate for a Director or Supervisor shall be proposed by way of single proposal.

**Article 68** Subsequent to the dispatch of a notice of the general meeting, the general meeting shall not be postponed or cancelled without proper reasons, and the proposals set out in the notice of the general meeting shall not be withdrawn. Once the meeting is postponed or cancelled, the convener shall make an announcement and give reasons thereof at least 2 working days prior to the original date of the meeting.

The Board of Directors and other conveners shall take all necessary measures to ensure that the shareholders' general meeting is conducted in an orderly manner and shall take steps to prevent any acts that interfere the shareholders' general meeting, those that are provocative and disturbing and those that infringe upon the legal interests of shareholders and report such activities to the relevant authority.

**Article 69** All the shareholders or their proxies registered on the date of registration shall have the right to attend the shareholders' general meeting. Any shareholder entitled to attend and vote at a shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy to attend and vote instead of him. The proxy of a shareholder may exercise the following rights in accordance with the authorisation of that shareholder: -

- (1) that shareholder's right to speak at the meeting;
- (2) the right to demand, whether on his own or with others, a poll; and
- (3) the right to vote on a show of hands or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

**Article 70** Individual shareholders attending the meeting in person shall present their personal identity cards or other valid documents or stock account card for identification. Proxies attending the meeting shall present their personal identity cards and the authorization letters from the shareholder. Corporate shareholders shall be represented by its legal representative or proxies authorized by the legal representative. Legal representatives attending the meeting shall present their personal identity cards or valid documents that can prove its identity as the legal representative. Proxies authorized to attend the meeting shall present their

personal identity cards or the authorization letter legally issued by the corporate shareholder.

**Article 71** A shareholder shall appoint a proxy in the form of a written instrument, signed by the appointing shareholder or the agent of the appointing shareholder duly authorised in writing. If the appointing shareholder is a legal person, the legal person's seal or the signature(s) of its director(s) or representative(s) duly authorised in writing is required. The authorization letter issued by shareholders to authorize other persons to attend the general meeting shall clearly state the followings:-

- (I) the name of the proxies;
- (II) whether the proxies have the right to vote;
- (IV) separate instructions to vote for, against or abstain from voting on each of the items in the agenda of the meeting;
- (V) the signing date and the effective period of the authorization letter, signature ( or seal ) o f t h e appointing shareholders. If the appointing shareholder is a legal entity, such instrument appointing the proxy shall be affixed with legal person seal or signed by a Director, an executive officer or a duly authorized person.

**Article 72** The instrument appointing a proxy shall be deposited at the domicile of the Company or such other place as prescribed in the notice convening the meeting, either 24 hours prior to the meeting in question or 24 hours prior to the time specified for conducting the poll. If the instrument appointing a proxy is signed by a person (other than the appointing shareholder) who is authorised by the appointing shareholder, the power of attorney or other document empowering that person must be notarised. The notarised document(s) shall be then deposited, together with the instrument appointing the proxy, at the domicile of the Company or such other place as prescribed in the notice convening the meeting.

If the appointing shareholder is legal person, its legal representative, or any person authorised by its board of directors or other governing body to act as its representative, may attend the general meeting.

**Article 73** (1) The format of any form issued to shareholders by the board of directors for the purpose of appointing proxies shall enable a shareholder, according to his free choice, to instruct his proxy to vote in favour of or against each resolution

proposed at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointing shareholder, the proxy may vote as he thinks fit.

(2) If the shareholder, being the holder of overseas listed foreign shares in the Company, is a recognised clearing house defined in the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong), it may authorise any appropriate person(s) as it thinks fit to act as its representative(s) at any shareholders' general meetings or any class shareholders' meetings. If more than one person is so authorised, the instrument of authorisation must clearly state the class(es) and number of shares in respect of which each such person is so authorised. The aforementioned authorised person is entitled to exercise rights on behalf of the recognised clearing house (or its proxy(ies), as if such person is an individual shareholder of the Company.

**Article 74** The vote of a proxy at a general meeting which is in accordance with the terms of the instrument of his appointment shall be valid notwithstanding the appointing shareholder's death, loss of capacity, revocation of his appointment or the authority under which the instrument of his appointment was executed, or a transfer of the relevant shares, provided that the Company did not receive notice in writing of such event prior to the commencement of the relevant meeting.

**Article 75** The Company shall be responsible for compiling the attendee register which shall include, among others, the name of attendee (or name of relevant unit), identification document number, domicile, the number of shares with voting rights that he holds or represents, and name of the person (or name of relevant unit) who attends the meeting by proxy.

**Article 76** The Company shall, in connection with the convening of a shareholders' general meeting, engage lawyers to issue legal opinions in respect of the following matters and make relevant announcements accordingly:

- (I) whether the procedures relating to the convening and the holding of such meeting comply with the laws, administrative regulations and the Articles of Association;
- (II) the legality and validity of the qualifications of the attendees and the convener of the meeting;
- (III) the legality and validity of the voting procedures and voting results;
- (IV) legal opinions issued on other related matters as requested by the

Company.

**Article 77** The convener and lawyers engaged by the Company shall together verify the legality of the qualifications of shareholders against the register of members provided by the securities registration and settlement institutions and the foreign agency, and shall register the names of shareholders and the number of voting shares each of them holds. The registration shall end before the chairperson of the meeting announces the number of shareholders and proxies attending the meeting and the total number of voting shares they hold.

**Article 78** All Directors, Supervisors and the secretary to the Board of the Company shall be present at the general meeting, and the general manager and other members of the senior management shall be in attendance at the meeting.

**Article 79** Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution shall be passed by more than one half of the votes represented by the shareholders (including proxies), having the right to vote and present at the shareholders' general meeting, being exercised in favour of the resolution.

A special resolution shall be passed by more than two-thirds of the votes represented by the shareholders (including proxies), having the right to vote and present at the shareholders' general meeting, being exercised in favour of the resolution.

**Article 80** Shareholders (including proxies) shall exercise such voting rights at shareholders' general meetings as they may have in accordance with the number of shares they hold which carry the right to vote, with each share of the Company carrying one vote except where the cumulative voting system stipulated in Article 121(e) of the Articles of Association is adopted.

**Article 81** At any shareholders' meeting, voting shall be by a show of hands unless a poll (before or after any vote by a show of hands) is demanded by the following persons: -

(1) the chairman of the meeting; or

(2) at least two shareholders, represent in person or by proxy, who have the right to vote at that meeting.

(3) One or more shareholders or their proxies who, alone or together, represent 10 per cent. or more of the shareholding represented at the meeting which carry the right to vote at that meeting.

Unless a poll is demanded, a declaration by the chairman based on the results of a show of hands as to whether a resolution has been passed and an entry to that effect in the minutes of the meeting, shall be conclusive evidence of the result of that vote, it shall not be necessary to produce evidence of the number of the votes recorded, nor the percentage of votes, in favour of and against such resolution at the meeting.

The demand for a poll may be withdrawn by the person or persons who demanded it.

**Article 82** If a poll is demanded on a vote concerning the election of the chairman of the meeting or an adjournment of the meeting, the poll shall be taken immediately. A poll demanded on any other matters shall be taken at such time as the chairman of the meeting decides, and the meeting may proceed to consider and vote on other matters. The result of a poll shall be deemed to be a resolution passed by the meeting during which the poll was demanded.

**Article 83** On a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all his votes in the same way.

Where any shareholder under any rules of a stock exchange on which the Company's shares are listed is required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by on or behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

When material issues affecting the interests of small and medium investors are considered at the shareholders' general meeting, the votes of small and medium investors shall be counted separately. The separate voting results shall be disclosed publicly in a timely manner.

Shares of the Company held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a shareholders' general meeting.

The Board, independent directors and eligible shareholders are entitled to solicit proxy from shareholders publicly. While soliciting proxy of shareholders, sufficient disclosure of information such as the specific voting preference shall be made to the shareholders from whom proxy is being solicited. No

consideration or other form of actual consideration shall be involved in the solicitation of proxy from shareholders. The Company and the convener of the shareholder's general meeting shall not impose any limitation related to the minimum shareholding ratio on the solicitation of proxy.

**Article 84** Where there is an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to an additional vote.

**Article 85** The following matters may be approved by an ordinary resolution of a shareholders' general meeting: -

- (1) work reports made by the board of directors and the supervisory committee;
- (2) proposals formulated by the board of directors for distribution of profits and for making up losses;
- (3) appointment and removal of the members of the board of directors and the supervisory committee, their remuneration and the method of payment in respect of such remuneration;
- (4) the annual budget and accountants' report, balance sheet, profit and loss account and other financial reports of the Company;
- (5) annual report of the Company;
- (6) all matters required to be approved by a shareholders' general meeting other than those required by PRC laws, administrative regulations or these Articles to be approved by way of special resolution.

**Article 86** The following matters may be approved by a special resolution of a shareholders' general meeting: -

- (1) an increase or reduction of the Company's capital and the issue of any class of shares, warrants and other similar securities;
- (2) an issue of debt securities of the Company;
- (3) appointment and removal of the members of the board of directors and the supervisory committee, their remuneration and the method of payment in respect of such remuneration;
- (4) the annual budget and accountants' report, balance sheet, profit and loss account and other financial reports of the Company;

- (5) the Company's purchase or sale of any material assets or the amount of guarantee, within one year, which exceeds 30% of the latest audited total assets of the Company;
- (6) equity-based incentive plan;
- (7) other matters required by laws, administrative regulations or this Articles of Association and other matters required to be approved by a shareholders' general meeting other than those required by PRC laws, administrative regulations or these Articles to be approved by way of special resolution.

**Article 87** When any shareholders' general meeting considers matters related to related transactions, the related shareholder shall not vote and the number of voting shares that it represents shall not be counted as part of the total number of valid votes. The announcement of the resolution of the general meeting shall fully disclose the votes of the nonrelated shareholders.

**Article 88** Where the shareholders' general meeting is ensured to be legal and valid, and through various forms and manners, the Company shall provide internet-based voting platform and modern technology in first priority for the shareholders' general meeting, for the purpose of providing convenience to shareholders attending the shareholders' general meeting.

**Article 89** Except for the cumulative voting system, all resolutions proposed at the shareholders' general meeting shall be voted one by one, and for different motions on the same matter, voting will be conducted according to the time sequence these motions are put forward. Other than special reasons such as force majeure which results in the interruption of the meeting or makes it impossible to come to resolution, the shareholders' general meeting shall not postpone the motions and shall vote on them.

**Article 90** When considering a motion at the shareholders' general meeting, no change shall be made thereto. Otherwise, such change shall be treated as a new motion which shall not be processed for voting at that general meeting.

**Article 91** The shareholders' general meeting shall adopt the voting method of voting by open ballot.

The same voting right shall only be exercised by one means, either through onsite voting or via internet or other voting means. If the same voting right is exercised in more than one means, the result of the first vote cast shall prevail.

**Article 92** Before the shareholders' general meeting votes on resolutions, it shall nominate 2 shareholder representatives to count the votes and scrutinize the voting. If a shareholder has conflict of interests in the matter to be discussed, the relevant shareholder and his proxy cannot participate in vote counting or scrutinize the voting.

When a shareholders' general meeting vote on resolutions, the counting of votes and scrutinizing of voting shall be conducted together by lawyers, shareholder representatives and supervisor representatives. The voting results shall be announced during the meeting. The voting results shall be contained in the minutes of meeting.

A shareholder of the Company or its proxy, who uses the internet or other voting methods, is entitled to verify his voting results through relevant voting system.

**Article 93** Shareholders may convene an extraordinary general meeting or a class meeting in accordance with the following procedures:-

- (1) two or more shareholders, who together hold 10 per cent. or more of the shares carrying voting rights at the proposed meeting, may sign one or several written requisition(s) of the same form and contents, requiring the board of directors to convene an extraordinary general meeting or a class shareholders' meeting as requested. The percentage represented by the shareholdings of the requisitioning shareholders shall be calculated as at the date of the deposit of the requisition.
- (2) If the board of directors fails to give a notice convening a meeting within 30 days of receiving the aforesaid written requisition, the requisitioning shareholders may themselves convene a meeting within 4 months of the receipt of such requisition by the board of directors. In so convening a meeting, the requisitioning shareholders should adopt a procedure as similar to that of a shareholders' should adopt a procedure as similar to that of a shareholders' general meeting convened by the board of directors as possible.

All reasonable expenses incurred in connection with a meeting convened by any shareholders themselves by reason of the failure of the board of directors to convene a meeting pursuant to a requisition shall be borne by the

Company and shall be deducted from any sums due from the Company to those directors in default.

**Article 94**

Independent directors have the right to propose an extraordinary general meeting to be convened to the board of directors. The board of directors shall in accordance with the laws, administrative regulations and the Articles within 10 days of the receipt of the proposal by independent directors for convening an extraordinary general meeting, provide a written feedback as to whether or not it agrees to convene the proposed meeting. If the board of directors agrees to convene the proposed extraordinary general meeting, it shall within 5 days of making board resolution give a notice of convening the aforesaid meeting; if the board of directors does not agree to do so, it shall explain and make relevant announcement.

The Supervisory committee has the right to propose an extraordinary general meeting to be convened to the board of directors, and the proposal shall be made to the board of directors in writing. The board of directors shall in accordance with the laws, administrative regulations and the Articles within 10 days of the receipt of the proposal for convening an extraordinary general meeting, provide a written feedback as to whether or not it agrees to convene the proposed meeting. If the board of directors agrees to convene the proposed extraordinary general meeting, it shall within 5 days of making board resolution give a notice of convening the aforesaid meeting. Any alteration to the original proposal within the notice shall be subject to the agreement of the supervisory committee. If the board of directors does not agree to convene the proposed extraordinary general meeting or fails to provide a feedback within 10 days of the receipt of the proposal, the board of directors shall be deemed as unable to perform or not performing its duty of convening shareholders' meeting, and the Supervisory Committee is entitled to solely convene and preside at the proposed meeting.

If the supervisory committee or shareholders decides to solely convene a shareholders' general meeting, it shall notify the board of directors in writing, and report to the organ appointed by the securities regulatory authority of the State Council in the place of residence of the Company and to relevant stock exchange for the record. Prior to the announcing of the resolution of the shareholders' general meeting, the percentage of shareholdings of the shareholders convening the meeting shall be not less than 10%. Relevant proof materials shall be submitted to the organ appointed by the securities regulatory authority of the State Council in the place of residence of the

Company and to relevant stock exchange by the shareholders convening the meeting prior to giving the notice of the shareholders' general meeting and announcing the resolutions of the shareholders' general meeting.

The board of directors and the company secretary shall cooperate in the shareholders' general meeting convened by the supervisory committee or shareholders. The board of directors shall provide the register of shareholders on the date of equity registration. The necessary expenses on the shareholders' general meeting solely convened by the supervisory committee or shareholders shall be borne by the Company.

**Article 95** Shareholders' general meetings shall be convened and chaired by the chairman. If the chairman is unable to attend the meeting for any reason, the board of directors may upon agreement by more than half of the directors designate a director to act as the chairman of the meeting. If no chairman of the meeting was so designated, the shareholders present at the meeting may elect a person to act as chairman of the meeting, and if for any reason, the shareholders are unable to appoint a chairman of the meeting, the shareholder (or his proxy) present at the meeting holding the greatest number of shares carrying the right to vote shall be the chairman of the meeting.

Shareholders' general meetings solely convened by the supervisory committee shall be chaired by a supervisor recommended and elected by more than half of the supervisors.

Shareholders' general meetings solely convened by the shareholders shall be chaired by a representative recommended and elected by the shareholders convening the meeting.

In convening a shareholders' meeting, if the chairperson of the meeting violates the rules of procedures and causes the discontinuance of the meeting, the shareholders' general meeting may upon approval of over half of the shareholders with the right to vote present at the meetings, recommend and elect another person to take the chair and resume the meeting.

**Article 96** The Company shall formulate the rules of procedures, specifying the convening and voting procedures of shareholders' general meetings, with the contents such as notifications, registration, deliberation on proposals, voting,

counting of votes, announcement of voting results, formation of resolution, and writing, signing and announcement of minutes, and specifying the principle of delegation from shareholders' general meetings to board of directors, with the contents delegated clearly set out. The rules of procedures for shareholders' general meeting shall be annexed to the Articles, drawn by the board of directors and subject to the approval by shareholders' general meetings.

**Article 97** At the shareholders' annual general meetings, the board of directors and supervisory committee shall give reports on their work of the previous year to the shareholders' general meeting. Each independent director shall also give reports on work.

**Article 98** The directors, supervisors and senior management officers shall give explanation as to the inquiries and suggestions of the shareholders at the shareholders' general meetings.

**Article 99** The chairperson of the meeting shall prior to the voting announce the number of the shareholders or agents present at the meeting, the total number of shares carrying the right to vote thereof. The aforesaid numbers shall be subject to the meeting register.

**Article 100** Shareholders' general meetings shall have the minutes of meeting, for which the secretary to the board of directors shall be responsible and in which the following contents shall be recorded: -

- (1) Time, location and agenda of the meetings and the names of conveners;
- (2) Names of the chairperson and names of the directors, supervisors, managers and other senior management officers attending the meetings;
- (3) Number of shareholders and agents present at the meetings, the total amount of shares carrying the right to vote, and the percentage thereof within the total shares of the Company;
- (4) Process of deliberation, essential of speeches and results of voting for each proposal;
- (5) Shareholders' inquires opinions or suggestions and corresponding answers and explanations;

- (6) Names of lawyers, vote-counters and scrutineers;
- (7) Number of such shares carrying the right to vote as held by shareholders holding domestic – funded shares (including agents thereof) and shareholders holding domestically listed foreign-funded shares (including agents thereof) present at the meeting and the percentage thereof within the total shares of the Company; and
- (8) Other contents the Articles requires to be recorded in the minutes of meetings.

When the result of voting is recorded, the voting condition of shareholders holding domestic-funded shares and shareholders holding domestically listed foreign-funded shares for each proposal shall also be recorded.

**Article 101** The end of the shareholders’ general meetings on the ground shall not be earlier than that of the same convened online or by other means. The chairman of the meeting shall be responsible for deciding whether or not a resolution of the shareholders’ general meeting has been passed. His decision shall be final and shall be announced at the meeting and recorded in the minutes of the meeting.

Before the result of voting is officially announced, the companies, vote-counters, scrutineers, principal shareholders and Internet service providers involved in the shareholders’ general meetings convened on the ground, online or by other means shall be responsible for keeping secret of the voting condition of parties concerned.

**Article 102** Shareholders present at shareholders’ general meetings shall give one of the following opinions towards the proposals put to vote: agreed, disagreed or abstained, except for the securities registration and settlement institutions which act as the nominee holders of the shares under SH-HK stock connect, and declare themselves pursuant to the representations of the beneficial owners thereof.

If the votes are left blank, wrongly filled or illegible or is not cast, the voters thereof shall be deemed to relinquish the right to vote. The result of voting by the shares held thereby shall be regarded as “abstained”.

**Article 103** If the chairman of the meeting has any doubt as to the results of a resolution put to the vote, he may personally count the votes. If the chairman of the meeting does not personally count the votes, any shareholder who is present in

person or by proxy and who objects to the results announced by the chairman of the meeting may demand a count of vote immediately after the announcement of results, in which case, the chairman of the meeting shall personally count the votes immediately.

**Article 104** If a count of votes is carried out at a shareholders' general meeting, the results of the count shall be entered in the minutes of the meeting.

Minutes of shareholders' general meetings, together with the attendance book signed by the shareholders present at each meeting and the instruments appointing the proxies present at each meeting, shall be kept at the legal address of the Company.

**Article 105** Shareholders may, during the business hours of the Company, inspect without charges copies of the minutes of shareholders' general meetings. If any shareholder requests from the Company a copy of the minutes of any meeting, the Company shall send a copy to him by post within 7 days after payment by that shareholder of reasonable copying charges.

**Article 106** Conveners shall ensure that the contents of minutes of meetings are truthful, accurate and complete. Directors, supervisors, company secretary, conveners or the agent thereof, and the chairperson of the meetings present at the meetings shall sign on the minutes of meetings. The minutes of meetings shall be preserved along with the register of shareholders present, power of attorneys for proxy attendance, and valid materials of the voting conditions online or by other means for a term of not less than 10 years.

**Article 107** Conveners shall ensure the shareholders' general meetings are held in continuity until a final resolution is made. If the shareholders' general meetings are suspended or fail to make a resolution due to force majeure or for other special reasons, necessary measures shall be taken to resume as soon as possible or to directly terminate the aforesaid meetings with announcement timely made. In the meantime, conveners shall report to the organ appointed by the China Securities Regulatory Commission and the stock exchange of the place where the Company is located.

**Article 108** The resolutions of shareholders' meetings shall be announced in a timely manner, specifying the number of shareholders or agents present at the meetings, the total number of shares thereby held carrying the right to vote and the percentage thereof within the total shares carrying the right to vote of the Company, the means of voting, the result of voting for each proposal, and detailed information of each adopted proposal, among which the shareholders

holding domestic-funded shares and shareholders holding domestically listed foreign-funded shares present at the meetings and the voting conditions thereof shall be calculated respectively and announced.

**Article 109** Proposals that are not adopted or resolution of the previous shareholders' general meeting that is altered in current shareholders' general meeting shall be specially reminded within the announcement of the resolution of the shareholders' general meetings.

**Article 110** If the shareholders' general meeting adopts proposals in connection with the election of directors or supervisors, the time of the newly elected directors or supervisors taking office is the date on which relevant resolution is passed by the shareholders' general meeting.

**Article 111** If the shareholders' general meeting adopts proposals in connection with the cash dividend, allotment or capitalization of common reserves, the Company shall implement specific plans within 2 months of the end of the shareholders' general meeting.

## **CHAPTER 9 SPECIAL PROCEDURES FOR VOTING BY HOLDERS OF DIFFERENT CLASSES OF SHARES**

**Article 112** Holders of different classes of shares are class shareholders.

Class shareholders shall enjoy rights and undertake obligations in accordance with the law, administrative regulations and these Articles.

**Article 113** If the Company proposes to vary or abrogate the rights of any class of shareholders, the variation or abrogation must be approved by a special resolution of the shareholders' general meeting and by the affected class of shareholders at a separate meeting convened and conducted in accordance with Article 115 to 119 before it may proceed.

**Article 114** The following events shall be deemed to be a variation or abrogation of the rights of shareholders:-

- (1) an increase or decrease in the number of shares in that class, or an increase or decrease in the number of shares of a class having voting rights,

distribution rights or other rights which are equal or superior to the shares of that class;

- (2) an exchange of all or part of the shares of that class for the shares of different class or the exchange of all or part of the shares of a different class for the shares of that class or a grant of a right or rights to such conversion;
- (3) a cancellation or reduction of the rights to accrued dividends or the rights to cumulative dividends attached to that class of shares;
- (4) a reduction or cancellation of the preferential rights of that class of shares to dividends or a distribution of surplus assets in the event of the winding-up or liquidation of the Company;
- (5) an increase, cancellation or reduction of any conversion rights, options, voting rights, transfer rights, pre-emptive rights or rights to acquire securities of the Company attached to that class of shares;
- (6) a cancellation or reduction of any rights attached to that class of shares to receive payments from the Company in specified currencies;
- (7) a creation of a new class of shares having voting rights, distribution rights or other rights equal to superior to that class of shares;
- (8) a creation or increase of restrictions on the rights of transfer or ownership attached to that class of shares;
- (9) an issue of rights to subscribe for, or convert into, shares of that class or other class(es);
- (10) an increase in the rights or privileges of another class or other classes of shares;
- (11) a restructuring of the Company which will result in (a) class(es) of shareholders bearing (a) disproportionate amount(s) of obligations to other class(es) in the course of such restructuring; and
- (12) a variation or abrogation of the provisions contained in this Chapter.

**Article 115** Shareholders of the affected class, whether or not entitled to vote at shareholders' general meetings, shall nevertheless be entitled to vote at class shareholders' meetings in respect of matters involving the provisions of paragraphs (2) to (8), (11) and (12) of Article 114, but interested shareholders shall have no voting rights at such meetings.

An "interested shareholder" means the following person(s):-

- (1) in the case of a repurchase of shares by the Company in accordance with Article 30 of these Articles by way of a general offer to shareholders in proportion to their respective shareholdings or by way of open trading on a stock exchange, an "interested shareholder" means a controlling shareholder as defined in Article 55;
- (2) in the case of a repurchase of shares by the Company in accordance with Article 30 of these Articles by way of a separate contract outside a stock exchange, an "interested shareholder" means a shareholder who is connected with the proposed contract; and
- (3) in the case of a proposal to restructure of the Company, an "interested shareholder" refers to a shareholder who bears less than a proportionate amount of obligations when compared to other shareholders of the same class or a shareholder who has an interest different from the interests of the other shareholders of the same class.

**Article 116** Resolutions of a class shareholders' meeting shall in accordance with Article 115 be passed by two thirds of the votes represented by the shareholders of that class who are entitled to vote and who are present at the class meeting.

**Article 117** When the Company convenes a class shareholders' meeting, the time limit for giving notice shall comply with provisions in Article 61 in these Articles.

**Article 118** Notice of class shareholders' meeting need only be served on shareholders who are entitled to vote at those meetings. Class shareholders' meeting shall be conducted in a manner as similar as possible to a shareholders' general meeting. The provisions of these Articles relating to the proceedings of shareholders' general meeting shall apply to class shareholders' meetings.

**Article 119** In addition to being holders of other classes of shares, holders of domestic shares and holders of overseas listed foreign shares are deemed to be different classes of shareholders:-

- (1) where, the approval by way of a special resolution of the shareholders' general meeting having been obtained, the Company issues domestic shares or overseas listed foreign shares separately or concurrently in any 12-months period whereby the number of domestic shares and/or overseas listed foreign shares to be issued do not exceed 20 per cent. of the respective numbers of such shares already in issue;

(2) where the Company's plans (made at the time of its establishment) to issue domestic shares and overseas listed foreign shares is completed within 15 months from the date on which approval is given by the Securities Commission of the State Council.

## CHAPTER 10 BOARD OF DIRECTORS

**Article 120** The Company shall establish a board of directors. The board of directors consists of 8 directors, of which 3 shall be independent non-executive directors. The board of directors shall have a chairman.

**Article 121** All directors shall be elected or replaced by the shareholders' general meeting and may be dismissed from his/her position by a shareholders' general meeting prior to the expiry of his/her term of office, with a term of 3 years. Upon the expiry of his term of office, a director may be re-elected to serve consecutive terms.

Notice of an intention to nominate a person for election as a director and a notice in writing by that person of his acceptance of such nominations shall be given to the Company at least 7 days before the date on which the general meeting is convened.

The period for lodgment of such notice will commence no earlier than the day after the dispatch of the notice of meeting appointed for such election and end no later than 7 days prior to the date of such meeting.

The chairman shall be appointed and removed by a majority of the directors. The chairman shall serve a term of 3 years from the respective dates of their election and may be re-elected to serve consecutive terms upon the expiry of their terms of office.

Subject to compliance with the relevant laws and administrative regulations, a shareholders' general meeting may by way of an ordinary resolution remove any director before the expiry of his term of office (but without prejudice to any claim for compensation pursuant to any contract).

A director may concurrently hold the position of manager or other management positions (except the position of a supervisor), provided that the directors holding position of manager or other management positions and directors acted by representatives of employees shall not amount to over 1/2 of the total directors of the Company.

A director is not required to hold shares in the Company.

**Article 121(a)** A list of candidates to be appointed as directors of the Company shall be submitted to the shareholders' at a shareholders' general meeting in the form of motion for approval.

Candidates for independent directors of the Company shall be nominated by the Company's board of directors, the supervisory committee or shareholders who individually or jointly hold 1% or more of the Company's voting shares and such candidates shall be considered for election by the shareholders at a shareholders' general meeting.

Candidates other than those nominated as independent directors shall be nominated by the board of directors, the supervisory committee or shareholders who individually or jointly hold 3% or more of the Company's voting shares and shall be considered for election elected by the shareholders at a shareholders' general meeting.

**Article 121(b)** Independent directors shall be elected in the following manner:-

(1) the nominator of a candidate for independent director shall seek the consent of the nominee, review and consider the occupation, academic qualifications, rank and detailed working experience including all part-time jobs of the nominee and shall obtain from the nominee written evidence of the same for the Company's consideration before making the nomination. The candidate shall provide written confirmation to the Company agreeing to be nominated, and shall provide an undertaking in relation to the truthfulness and completeness of his particulars disclosed and shall guarantee the performance of a director's duties after being elected.

(2) the nominator of an independent director shall give an opinion in respect of the qualifications and independence of the nominee to act as an independent director. The nominee shall make an open announcement as to the absence of any relation between the Company and him or her which would affect his independent and objective judgment.

(3) if the nomination of candidates for independent directors is made before the Company's convening of a board meeting, the written proofs of the nominee referred to in sub-paragraphs (1) and (2) above shall be disclosed together with the board resolution.

(4) If the shareholders who individually or jointly hold 5% or more of the Company's voting shares or the supervisory committee puts forward a provisional motion in an AGM of the Company for election of independent directors, a written notice stating their intention to nominate a candidate for

directors and the nominee's consent to be nominated together with the written proofs and undertaking of the nominee referred to in sub-paragraphs (1) and (2) above shall be delivered to the Company not less than seven (7) days before the general meeting, and the period granted by the Company for lodging the above notice and documents by the relevant nominator (such period shall commence from the date after the issue of the notice of the general meeting) shall not be less than seven (7) days.

(5) Before a shareholders' general meeting for election of independent directors is convened, the Company shall submit the relevant information of all nominees to the securities regulatory authority of the State Council, the organ appointed by the securities regulatory authority of the State Council in the place of residence of the Company, and to the stock exchange on which the Company's shares are listed. The written opinions of the board of directors shall also be submitted where the Company's board has any dispute as to the particulars of the nominee and that the nominee may not be included as a candidate for independent directors. When convening a general meeting to elect independent directors, the Company's board shall specify if the securities regulatory authority of the State Council has any dispute as to the suitability of candidates for independent directors.

**Article 121(c)** Non-independent directors shall be elected in the following manner:-

- (1) the nominator of a candidate for non-independent director shall seek the consent of the nominee, review and consider the occupation, academic qualifications, rank and detailed working experience including all part-time jobs of the nominee and provide written proofs of the same to the Company before making the nomination. The candidate shall provide written confirmation to the Company agreeing to be nominated, and shall provide an undertaking in relation to the truthfulness and completeness of his particulars disclosed and guaranteeing the performance of a director's duties after being elected.
- (2) If the nomination of candidates for non-independent directors is made before the Company's convening of a board meeting, the written proofs of the nominee referred to in sub-paragraph (1) above shall be disclosed together with the board resolution.
- (3) If the shareholders who individually or jointly hold 3% or more of the Company's voting shares or the supervisory committee puts forward a provisional motion at an AGM of the Company for election of

non-independent directors, a written notice stating their intention to nominate a candidate for directors and the nominee's consent to be nominated together with the written proofs and undertaking of the nominee referred to in sub-paragraph (1) above shall be delivered to the Company not less than seven (7) days before the general meeting, and the period granted by the Company for lodging the above notice and documents by the relevant nominator (such period shall commence from the date after the issue of the notice of the general meeting) shall not be less than seven (7) days.

**Article 121(d)** The following basic requirements are applicable in order to be an independent director:-

- (1) qualified to be a director of a listed company under the domestic and overseas laws, administrative regulations and other relevant provisions;
- (2) have the independence required by these Articles of Association;
- (3) have basic knowledge of the operation of a listed company, familiar with the relevant laws, administrative rules, regulations and rules;
- (4) have 5 years or more of legal or financial experience or other experience in performing the duties of an independent director.

**Article 121(e)** If the controlling shareholders of the Company control 30% or more of the Company's shares, the cumulative voting system shall be adopted when voting on the election of directors and supervisors in a shareholders' general meeting, that is, in electing two or more directors or supervisors in a shareholders' general meeting, the number of votes attached to each share held by a participating shareholder shall be equal to the total number of directors or supervisors to be elected, in which case the total number of votes the shareholder may have when voting for directors or supervisors could be determined by multiplying the number of shares by the number of directors or supervisors to be elected. The shareholders could cast his votes for one candidate or for several candidates. Independent directors and non-independent directors shall be voted respectively. Main details of the cumulative voting system are as follows:

- (1) Where the number of directors or supervisors to be elected is more than two, the cumulative voting system must be adopted.
- (2) Where cumulative voting system is adopted, each of the shares held by a shareholder shall carry the same number of votes as the number of directors

or supervisors to be elected.

- (3) The notice of a shareholders' general meeting shall notify the shareholders that a cumulative voting system will be adopted for the election of directors or supervisors. The conveners of the shareholders' general meeting shall prepare ballots suitable for cumulative voting, and shall give explanations in writing regarding the cumulative voting system, the completion of the ballots and the methods of counting the votes.
- (4) In casting his votes for the director or supervisor candidates at a shareholders' general meeting, a shareholder may exercise his voting rights by spreading votes evenly and cast for each of the candidates the number of votes corresponding to the number of shares he holds; or he may focus his votes on one candidate and cast for a particular candidate the total number of votes carried by all of his shares while the number of voting rights carried by each of his shares is the same as the number of directors or supervisors to be elected; or he may spread his votes over several candidates and cast for each of them part of the total number of votes carried by the shares he holds while the number of voting rights carried by each of his shares is the same as the number of directors or supervisors to be elected.
- (5) Upon the exercise of his voting rights by focusing his votes on one or several of the candidates while the number of voting rights carried by each of his shares is the same as the number of directors or supervisors to be elected, a shareholder shall not have any right to vote for any other candidates.
- (6) Where the total number of votes cast by a shareholder for one or several of the candidates is in excess of the number of votes carried by the total number of shares held by him, the votes cast by the shareholder shall be invalid, and the shareholder shall be deemed to have waived his voting rights. Where the total number of votes cast for one or several candidates by a shareholder is less than the number of votes carried by the total number of shares held by such a shareholder, the votes cast by the shareholder shall be valid, and the voting rights attached to the shortfall between the votes actually cast and the votes which the shareholder is entitled to cast shall be deemed to have been waived by the shareholder.
- (7) Where the number of approval votes received by a director or supervisor candidate exceeds one-half of the total voting rights (to be calculated

according to the total number of shares if the cumulative voting is not adopted) represented by the shareholders present at the shareholders' general meeting and the approval votes exceeds the objection votes, the candidate shall be the elected director or supervisor candidate. If the number of the elected director or supervisor candidates exceeds the total number of directors or supervisors to be elected, those candidates who receive the largest number of approval votes shall be elected as directors or supervisors; if the number of directors or supervisors elected at a shareholders' general meeting is less than the number of directors or supervisors to be elected, a new round of voting shall be carried out for the purpose of filling such vacancies, until all the directors or supervisors to be elected are validly elected.

(8) Where a new round of voting is carried out according to the provisions of paragraph (7) of this Article at the shareholders' general meeting, the number of votes casted by the shareholders in the cumulative voting shall be re-counted according to the number of directors or supervisors to be elected in the new round of voting.

**Article 122** If a director has failed to attend board meetings in person for two consecutive times nor committed another director to attend the board meetings on his behalf, he shall be deemed to be unable to perform his duties. The board of directors shall propose the aforesaid director to be dismissed and replaced to the shareholders' general meetings.

**Article 123** Directors may submit their resignation before the expiry of their terms of office. In so resigning from the board, the directors shall submit a written resignation report to the board of directors. The board of directors shall disclose relevant condition within 2 days.

If the board of directors fails to reach a quorum as a result of the resignation of directors, before the re-elected directors come into office, the original directors shall perform their duties of directors in accordance with laws, administrative regulations, department rules and the Articles.

Except for circumstances specified in this Article, the resignation of a director shall be effective as of the time when the resignation report is served on the board of directors.

**Article 124** Without legitimate authorization specified in the Articles or made by the board of directors, no directors shall act on behalf of the Company or the board of

directors in his own name. Where a director act in his own name, and a third parties may reasonably believe that the aforesaid director is acting on behalf of the Company or the board of directors, the aforesaid director shall declare in advance his standpoint and identity.

**Article 125** When making decisions on such significant matters as direction of reform and development, key objectives, and priority operational arrangements of the Company, the board of directors should listen to the view of the Party organization beforehand. When the board of directors appoints the management personnel of the Company, the Party organization may consider and provide its view on the candidates for management positions nominated by the board of directors or the president, or recommend candidates to the board of directors and/or the general manager.

**Article 126** The board of directors is accountable to the shareholders' general meeting shall have the following functions and powers:-

- (1) to convene shareholders' general meetings and to report on its work at such meeting;
- (2) to implement resolutions passed at shareholders' general meetings;
- (3) to decide the Company's operational plans and investment proposals;
- (4) to determine the Company's annual financial budgets and final accounts;
- (5) to formulate proposals for distributing the profits of the Company and proposals to make up any losses of the Company;
- (6) to formulate proposals for an increase or reduction of the Company's registered capital and the issue of debt securities;
- (7) to prepare plans for the demerger, merger or dissolution of the Company;
- (8) to decide matters concerning the internal management structure of the Company (including its establishment);
- (9) to appoint or dismiss the manager(s) of the Company and, upon the nomination of the manager, to appoint and dismiss deputy manager(s) and financial controller(s) of the Company, and to decide matters concerning the remuneration of such officers;
- (10) to determine the basic management system;
- (11) to formulate proposals for amendments to these Articles;

- (12) subject to compliance with the requirements of the relevant laws, regulations, these Articles and any relevant rules, to exercise the Company's powers to raise capital and to borrow, and to make decisions regarding the mortgaging, letting, subcontracting or transfer of the Company's major assets, and to delegate the aforementioned powers to the manager for his exercise within certain limits;
- (13) To determine one single external guarantee at the amount of 10% or less than 10% of the latest audited consolidated net assets of the Company prepared in accordance with PRC accounting standards. This does not include the guarantee provided by the Board of Directors to the subsidiaries.
- (14) to establish special committees of directors and to appoint and remove the relevant persons responsible; and
- (15) any other functions and powers conferred by shareholders' general meetings and these Articles.

Other than the board of directors' resolutions in respect of the matters specified in sub-paragraph (6), (7), (11) and (13) of this Article which shall be passed by the affirmative vote of more than two-thirds of all the directors, the board of directors' resolution in respect of all other matters may be passed by the affirmative vote of a simple majority of the directors.

**Article 127** The board of directors shall explain to the shareholders in response to the non-standard audit opinion issued by registered accountants on the Company's financial statements.

**Article 128** The board of directors shall formulate the rules of procedures for the board meetings to ensure that the board of directors implements the resolutions of shareholders' general meetings, improves its operating efficiency and guarantees a scientific decision-making.

**Article 129** When the board of directors is considering the disposal of fixed assets of the Company, it must obtain the approval of shareholders in general meeting, prior to disposing or agreeing to dispose of those fixed assets if the aggregate of the expected value of the fixed assets intended to be disposed of and the total consideration received by the Company for all (if any) disposals of fixed assets which took place within the period of four months immediately preceding the proposed disposal, exceed 33 per cent. of the value of the Company's fixed

assets as shown in the last balance sheet placed before shareholders in general meeting.

For the purpose of this Article, a disposal of fixed assets includes an act involving the transfer of an interest in fixed assets but does not include the provision of security in the form of fixed assets under a guarantee.

The validity of a transaction entered into by the Company for the disposal of fixed assets by the Company shall not be affected by a breach of the first paragraph of this Article.

**Article 129(a)** The Board of Directors of the Company be authorised to have a discretion to make any investments whatsoever without prior approval from the shareholders provided that the aggregate amount of such investments does not exceed 10 per cent of the total asset value of the Company as specified in the latest audited financial report subject to all applicable laws, rules and regulations.

**Article 129(b)** The Company shall not provide any guarantees for its shareholders, controlling subsidiaries of its shareholders, subsidiary enterprises of shareholders, the related parties in which the Company holds shares less than 50% of the total equity or personal liability and shall not directly or indirectly provide liability guarantee for debtors with an asset to liability ratio exceeding 70%. If the Company provides guarantees to others, the guaranteed person shall provide a counter-guarantee to the Company or take other necessary risk preventive measures. The total amount of external guarantees of the Company shall not exceed 50% of the net assets stated in the audited consolidating accounting statements of the latest accounting year of the Company prepared in accordance with PRC accounting standards.

**Article 130** The chairman of the board of directors shall have the following functions and powers:-

- (1) to chair shareholders' general meetings and to convene and chair meetings of the board of directors;
- (2) to supervise the implementation of board resolutions;
- (3) to sign certificates of securities issued by the Company; and
- (4) other functions and powers conferred by the board of directors.

**Article 131** Board meetings shall be held at least twice every year and shall be convened by the chairman. In the event of an emergency, an extraordinary board meeting may be convened upon a request by one-third or more of the directors or the manager of the Company.

**Article 132**

- (1) Meetings of the board directors shall be held at least four times each year on a regular basis and shall be convened by the chairman who shall require the board secretary to notify all directors at least 14 days in advance before the meeting, and to notify all directors and supervisors of the time and place of the proposed board meeting by phone, telegram, facsimile, express delivery, registered mail or by hand.
- (2) In the event of an emergency which requires an extraordinary board meeting to be convened, the chairman shall require the Company secretary to notify all directors and supervisors of the time, place and method of the proposed extraordinary board meeting by telex, telegram, or by hand not less than 2 days and not more than 10 days before the meeting.
- (3) Notices of board meetings shall be in the Chinese language, although an English translation may be attached if necessary, and shall contain the agenda of the meeting and the matters to be discussed at the meeting.
- (4) A director who is present at a board meeting, and who did not raise any objections (both before and immediately upon his arrival at the meeting) regarding his failure to receive notice of the meeting shall be deemed to have been given notice of the meeting.
- (5) Two or more than two independent directors who consider the documents of the meeting to be incomplete or the basis of support to be inadequate may jointly propose to the board of directors in writing to postpone the board meeting or the review of the matter. The board of directors should accept the proposal and the Company shall disclose relevant information promptly.

**Article 133** A meeting of the board of directors shall only be held if a majority of the directors are present. When the board of directors, in accordance with the provisions in these Articles, pass any resolutions with regard to the repurchase of the Company's shares under the circumstances of applying shares for the purpose of employee stock ownership plan or equity-based incentives, converting the shares into corporate bonds issued by listed company/companies

that could be converted into shares, and/or, where it is necessary, maintaining the Company's value and shareholders' rights, more than two thirds of the directors shall attend the board meeting.

Each director shall have one vote. Resolutions of the board of directors are required to be passed by a majority of the directors.

In the case of an equality of approval votes and objection votes, the chairman shall have the rights to cast an additional vote.

**Article 134** If a director is association relationship with the enterprises involved in a resolution to be made at a board meeting, he shall not vote on the aforesaid resolution, or vote on behalf of other directors. The aforesaid board meeting may be held with the attendance of over half of the directors without association relationship. Resolutions made by the board meeting shall be adopted by over half of the directors without association relationship. If the number of the directors without association relationship attending the board meeting is below 3, the matter shall be submitted to the shareholders' general meeting for deliberation.

**Article 134(a)** Subject to such exceptions as may be specified by the overseas stock exchanges on which the Company's shares are listed, a director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or his associates has a material interest nor shall be counted in the quorum present at the meeting.

**Article 135** A director may participate in a board meeting (including extraordinary board meetings) by means of telephone or other telecommunication devices. Provided that such telecommunication devices can enable all persons participating in the meeting to hear the others clearly and to communicate with one another, that director participating in the aforesaid manner shall be deemed to have attended that meeting in person.

**Article 136** All directors shall attend board meetings in person. Any director who is unable to attend a meeting may appoint in writing another director to attend and vote at the meeting on his behalf. The instrument of appointment shall set out clearly the name of agent, the matters authorized, the scope of the authority and the term of authority, and shall be affixed with the signature or seal of the principal.

The appointed representative shall only exercise those functions and powers of the appointing director within the scope of his authority. Independent

directors shall not appoint non-independent directors to vote for and on their behalf. If a director fails to attend a meeting of the board of directors and does not appoint a representative to attend and vote on his behalf, he shall be deemed to have waived his right to vote at that meeting.

**Article 137** All reasonable expenses incurred by the directors in attending board meetings shall be borne by the Company. These expenses may include transportation fees between the location of the director and the venue of meeting (if the meeting is taking place at a venue different from the location of the director), charges for accommodation and meals, rental for the venue of the board meeting and local transportation fees.

**Article 138** The board of directors shall ensure that minutes are kept of matters considered and decided at the meeting. Minutes of the board meetings shall be true, accurate and complete.

The minutes shall be signed by all directors, secretary of board of directors attending the meeting and the person who recorded the minutes. Directors shall take responsibility for all decisions made by the board of directors. If a decision made by the board of directors results in a contravention of any law(s), administrative regulation(s) or these Articles, thereby causing serious loss(es) to the Company, all directors who participated in such resolutions shall compensate the Company for the said loss(es), except where it is proven that a director made clear his objection to the decision at the time when the vote was taken and a record of that objection was entered in the minutes of the meeting, that director shall be relieved of his liability.

**Article 139** The minutes of board meetings shall including the following contents:

- (1) Date and venue of the meeting convened and names of the conveners;
- (2) Names of directors attending the meetings and directors (agents) appointed by others to attend the board meetings;
- (3) Meeting agenda;
- (4) Essentials of speeches given by the directors;
- (5) Voting method and result of voting for each proposal (Result of voting shall clearly set out the number of votes of “agreed” “disagreed” and “abstained”).

Minutes of board meetings shall be preserved as company archive for a term

of not less than 10 years.

**Article 140** Written resolutions signed separately by all directors shall be valid and shall take effect as if it had been passed at a board meeting duly convened. Such written resolutions may consist of several copies of the same document, each copy being signed by one or more directors. A resolution signed by a director and sent to the Company by telegram, telex, post, facsimile or personal delivery shall be deemed to be a document signed by him in person for the purpose of this Article.

**Article 141** Unless otherwise decided by the board of directors, a manager who is not a director may attend board meetings and is entitled to receive notice of such meetings and any other relevant documents. However, unless the manager is also a director, he shall not have the right to vote at board meetings.

## **CHAPTER 11 COMPANY SECRETARY**

**Article 142** The Company shall appoint a company secretary. The company secretary shall be a senior officer of the Company.

**Article 143** The directors shall appoint a natural person who has the requisite professional knowledge and experience. The main responsibilities of the company secretary are:-

- (1) to ensure that the constitutional documentation and records of the Company are complete;
- (2) to ensure that the Company prepares and submits all reports and documents required to the relevant authorities in accordance with the law;
- (3) to ensure the register of shareholders is properly maintained and that persons entitled to records and documents of the Company are promptly furnished with the relevant records and documents.

**Article 144** Directors or other senior officers of the Company may be appointed to act as the company secretary. An accountant of the accounting firm employed by the Company shall not be appointed to act as the company secretary.

Where a director is also the company secretary and an act is required to be done by a director and the company secretary separately, that director/company secretary may not perform the act in his dual capacity.

## CHAPTER 12 COMPANY MANAGER

**Article 145** The Company shall have a manager, who shall be appointed and dismissed by the board of directors.

Persons with other positions at units of the dominant shareholders or beneficial owner of the Company other than directors and supervisors shall not act as a member of senior management of the Company.

The term of office of a manager is 3 years. Upon the expiry of his term of office, a manager may be re-appointed to serve consecutive terms.

**Article 146** The manager shall be accountable to the board of directors and shall have the following functions and powers:-

- (1) to be in charge of production, operation and management of the Company and to organise the implementation of board resolutions;
- (2) to organise the implementation of the Company's annual business plans and investment plans;
- (3) to formulate plans for the internal management structure of the Company;
- (4) to formulate the basic management system of the Company;
- (5) to establish the basic rules and regulations of the Company;
- (6) to recommend the appointment or dismissal of deputy manager(s) and financial controllers) of the Company;
- (7) to appoint and dismiss personnel responsible for management other than those required to be appointed or dismissed by the board of directors;
- (8) any other functions and powers conferred by these Articles and the board of directors.

**Article 147** The manager shall attend board meetings. A manager who is not a director is not entitled to vote at board meeting.

**Article 148** The manger shall formulate detailed working rules for managers and implement the aforesaid rules after they were submitted to the board of directors and obtained its approval.

The detailed working rules for managers shall including the following contents:

- (1) The conditions and procedures of convening a managers' meeting, and the persons attending;
- (2) Respective duties of and divisions of work among the manager and other senior management officers;
- (3) The scope of authority to utilize company funds or assets and to execute major contracts, and the reporting system to the board of directors and the supervisory committee; and
- (4) Other matters deemed necessary by the board of directors.

**Article 149** The manager shall, in exercising his powers, comply with the laws, administrative regulations and these Articles, and shall act in good faith and diligently.

### **CHAPTER 13 SUPERVISORY COMMITTEE**

**Article 150** Supervisors shall comply with laws, administrative regulations and the Articles and shall assume the duties of honesty and due diligence towards the Company. Supervisors shall not receive bribes or other illegal income in abuse of the position or authority, or embezzle the company assets.

Supervisors shall not impair the company interest using its associations. If any loss is caused to the company thereby, the supervisors shall be responsible for compensation.

Supervisors shall guarantee that the information disclosed by the Company is truthful, accurate and complete.

**Article 151** The company shall have a supervisory committee. The supervisory committee is responsible for the supervision of the board of directors, directors and other senior officers of the Company to prevent them from abusing their positions and powers and infringing the interests of the shareholders, the Company and the employees.

**Article 152** The supervisory committee shall consist of 5 members, one of whom shall be appointed as the chairman of the supervisory committee. Supervisors shall be appointed for a term of three years from the dates of their elections, and, upon the expiry of their terms of office, may be re-elected to serve consecutive terms.

The appointment and dismissed of the chairman of the supervisory committee shall be decided by two-thirds or more of the members of the supervisory committee.

If no election is timely held as the term of office of the supervisors expires, or the number of supervisors are less than the quorum as a result of certain supervisors' resignation during their terms of office, before the newly elected supervisors come into office, the original supervisors shall in accordance with the provisions of laws, administrative regulations and the Articles perform its duties as a supervisors.

**Article 153** The supervisory committee shall include representative(s) of shareholders and representative(s) of employees, in which the proportion of the representative(s) of employees shall not less than 1/3. The representative(s) of shareholders shall be elected and removed by the shareholders' general meeting and the representative(s) of employees shall be elected and removed by the employees of the Company democratically.

**Article 154** Directors, manager(s) and financial officers of the Company shall not be appointed as supervisors.

**Article 155** The supervisory committee shall meet at least twice a year, the meeting shall be convened by the chairman of the supervisory committee.

The Chairman of the supervisory committee shall convene and chair the meeting, where the Chairman of the supervisory committee is not able or not to discharge its duty, the supervisory committee general meeting may upon approval of over half of the supervisory with the right to vote present at the meetings, recommend and elect another person to take the chair and resume the meeting.

**Article 156** The supervisory committee shall be accountable to the shareholders' general meeting and shall exercise the following functions and powers in accordance with law:-

- (1) to review the regular corporate reports prepared by the board of directors and present the review suggestions in writing;

- (2) examine the Company's financial affairs;
- (3) to carry out supervision to ensure that the directors, managers and other senior officers do not act in contravention of any laws, administrative regulations and /or these Articles in the performance of their duties;
- (4) if the conduct of a director, manager or other senior officer is detrimental to the interests of the Company, to require that person to rectify such conduct;
- (5) review the Company's financial reports, business reports and profit distribution plans which the board of directors proposes to be submitted to the shareholders' general meeting, and in appropriate cases, to appoint on behalf of the Company registered accountants or practising auditors to assist in such review;
- (6) to propose the convening of extraordinary general meetings of shareholders; convene and host the general meetings of shareholders in the event that the board of directors does not fulfill its duty to convene and host the general meetings of shareholders as stipulated by the Company Law;
- (7) to present proposals to the general meetings of shareholders;
- (8) to represent the Company in negotiations with directors or to institute proceedings against directors;
- (9) to launch an investigation in the event of the discovery of abnormal corporate operation; to employ such professional institutes as the accounting firms and the law firms to assist in its work if necessary with all the expenses to be borne by the Company;
- (10) other functions and powers provided for in these Articles.

Supervisors attend the meetings of board of directors and inquire about or propose suggestions for the resolutions of the board of directors.

**Article 157** To convene a meeting of the supervisory committee, written notice shall be sent to all supervisors at least 10 days but not more than 30 days prior to the meeting. Such meeting shall only be held if two-thirds or more of the supervisors are present.

Resolutions of the supervisory committee shall be passed only if two-thirds or more of the supervisors vote in favour thereof.

**Article 158** The supervisory committee shall formulate the rules of procedure and specify

the method of discussing corporate business and the voting procedure for the supervisory committee to ensure that the supervisory committee can work efficiently and make scientific decisions.

**Article 159** The supervisory committee shall record the decisions on the discussed items as the minutes of the meeting and the supervisors attending the meeting shall sign their names on the minutes of the meeting.

The supervisors are entitled to require that their speech on the meeting shall be recorded in the minutes of the meeting in an expository manner. The minutes of the meeting of the supervisory committee shall be kept as a corporate file at least for 10 years.

**Article 160** The notice of the meeting of the supervisory committee shall cover the following contents:

- (1) the date, venue and period of the meeting;
- (2) the origin of the meeting and the subject to be discussed;
- (3) the date of releasing the notice.

**Article 161** All reasonable expenses incurred by the supervisory committee in employing the services of professionals such as lawyers, registered accountants or practicing auditors of exercising functions and powers shall be borne by the Company.

**Article 162** All supervisors shall perform their supervisory duties honestly, diligently and in accordance with the law, administrative regulations and these Articles.

## **CHAPTER 14 QUALIFICATIONS AND OBLIGATIONS OF DIRECTORS, SUPERVISORS, MANAGERS AND OTHER SENIOR OFFICERS**

### **OF THE COMPANY**

**Article 163** A person shall be disqualified from being a director, supervisor, manager or other senior officer of the Company if he falls within any one of the following categories:-

- (1) a person with no civil capacity or with restricted civil capacity;
- (2) a person who committed and was sentenced for the offences of corruption, bribery, infringement of property, misappropriation of assets or disrupting

social and economic order, and a period of 5 years has not lapsed since the date of completion of the term of his sentence or a person who deprived of his political rights for having committed an offence, and a period of 5 years has not lapsed since the date of completion of the term of his sentence;

- (3) a person who was a director or factory controller or manager of a company or enterprise which became insolvent or was liquidated due to poor management, and who was found personally liable for the insolvency of that company or enterprise, and a period of 3 years has not yet lapsed since the date of completion of the insolvency and liquidation of that company or enterprise;
- (4) a person who was a legal representative of a company or enterprise, which had its business licence revoked due to a contravention of the law, and who was found personally liable, and a period of 3 years has not yet lapsed since the date of revocation of the business licence of that company or enterprise;
- (5) a person who failed to repay relatively large personal debts when they became due;
- (6) a person who, is under investigation by judicial/legal authorities contravention of criminal law and the case has not yet been resolved;
- (7) a person who is not eligible to act as a leader of an enterprise according to the PRC law and administrative regulations;
- (8) a person who is not a natural person;
- (9) a person who has been convicted by the relevant supervisory authorities for having contravened the provisions of the relevant securities laws and regulations, or offences involving fraud or acts of bad faith and a period of 5 years from the date of his conviction has not lapsed.

**Article 164** The validity of an act by a director or manager or other senior officer on behalf of the Company vis-a-vis a bona fide third party shall not be affected by any irregularity or defect in his employment, election or his qualifications.

**Article 165** In addition to the obligations imposed by laws, administrative regulations or the rules of the stock exchange(s) on which shares of the Company are listed, each director, supervisor, manager conferred upon him by the Company, owes the following obligations to every shareholder: -

(1) not to cause the Company to operate outside the scope of operations stipulated in its business licence;

(2) to act in good faith in the best interests of the Company;

(3) not to expropriate in any manner the Company's assets, including (but not limited to) opportunities beneficial to the Company; and

(4) not to expropriate personal rights of shareholders, including (but not limited to) distribution and voting rights, but not including a restructuring of the Company submitted to and approved by the shareholders' general meeting in accordance with these Articles.

**Article 166** Each director, supervisor, manager and other senior officer has the duty, in the exercise of his powers and the discharge of his obligations, to exercise such care, diligence and skill that a reasonable and prudent person would exercise in similar circumstances.

**Article 167** Each director, supervisor, manager and other senior officer has, in the performance of his duties, the duty to observe the principles of good faith and the duty not to place himself in a position where his duties and his interests may conflict. This includes (but is not limited to) the duty:-

(1) to act honestly in the best interests of the Company;

(2) to exercise his powers within the scope of his authority and not act in excess of his powers;

(3) to personally exercise the discretion vested in him and not to allow himself to act under the direction of another person and , except where permitted by law or administrative regulations, or with the informed consent of shareholders in general meeting, not to delegate the exercise of such discretion to another person;

(4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(5) not to enter into any contract, transaction or arrangement with the Company, except in accordance with these Articles or with the informed consent of shareholders in general meeting;

(6) not to use the Company's assets for his own benefit in any manner without the informed consent of shareholders in general meeting;

- (7) not to abuse his position by accepting bribes or other unlawful income, and not to misappropriate in any manner the Company's assets including (without limitation) opportunities beneficial to the Company;
- (8) not to accept any commission in connection with any transaction in which the Company is involved without the informed consent of shareholders in general meetings;
- (9) to comply with these Articles, to perform honestly his duties, to protect the interests of the Company and to refrain from using his position and powers as an officer of the Company to make personal gains;
- (10) not to compete with the Company in any manner without the informed consent of shareholders in general meeting;
- (11) not to misappropriate the Company's funds or to advance the Company's funds to any other person, not to open any bank account in his own name or any other person's name to deposit any of the Company's assets; not to use the Company's assets to provide guarantee(s) for the debt(s) of any shareholder of the Company or any other individuals;
- (12) without the informed consent of shareholders in general meeting, not to disclose any confidential information of the Company acquired by him while in office; not to use such information other than in the interests of the Company, save that he may disclose such information to a court or other governmental authorities in the following circumstances:-
  - (i) where such disclosure is required by law;
  - (ii) where such disclosure is required in the interests of the public;
  - (iii) where such disclosure is required in the personal interests of the directors, supervisors, manager or other senior officers.

**Article 168** A director, supervisor, manager or other senior officer shall not direct persons connected to them ("relevant persons") to do what the director, supervisor, manager or other senior officer himself is prohibited from doing. The "relevant persons" of a director, supervisor, manager or senior officer are:

- (1) the spouse or minor child of that director, supervisor, manager or other senior officer;

- (2) a person acting as a trustee for a director, supervisor, manager or other senior officer of the Company or as a trustee for a person referred to in (1) above;
- (3) a person who is partner of a director, supervisor, manager or other senior officer, or a partner of any person referred to in (1) and (2) above;
- (4) a company in which that director, supervisor, manager or other senior officer, alone or together with any person referred to in (1), (2) and (3) above, or together with other directors, supervisors, managers or officers, have de facto control; or
- (5) a director, supervisor, manager or other senior officer of a company referred to in (4) above.

**Article 169** The fiduciary duties of a director, supervisor, manager or other senior officer do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties shall continue for such period as is in accordance with the principles of equity, taking into account the time which has lapsed between the termination of his term of office and the occurrence of the matter in question, and the circumstances and the terms under which the officer's relationship with the Company was terminated.

**Article 170** A director, supervisor, manager or other senior officer may be relieved of his liability for a particular breach of his duty by the informed consent of shareholders in general meeting except in the circumstances referred to in Article 53 of these Articles.

**Article 171** If a director, supervisor, manager or other senior officer has, directly or indirectly, a material interest in a contract, transaction or arrangement entered into or proposed to be entered into by the Company (other than his contract of employment), he shall declare the nature and extent of his interest to the board of directors at the earliest opportunity, whether or not the matters in question are otherwise subject to the approval of the board of directors.

Unless the director, supervisor, manager or senior officer with an interest make a disclosure to the board of directors in accordance with this Article and the matter is approved by the board of directors at a meeting at which the interested director, supervisor, manager or senior officer did not vote and was not counted in the quorum, the Company may rescind that contract, transaction or arrangement unless that contract, transaction or arrangement was entered into

with a bona fide party acting in good faith and without notice of the breach of duty by that director, supervisor, manager or senior officer.

If a relevant person of a director, supervisor, manager or other senior officer, has an interest in a contract, transaction or arrangement, the director, supervisor, manager or other senior officer with whom that person is so connected shall be deemed to have an interest in that contract, transaction or arrangement.

**Article 172** If, prior to the date on which the Company first considered the question of entering into the relevant contract, transaction or arrangement, the director, supervisor, manager or other senior officer gives the board of directors a notice in writing stating that, by reason of the matters stated in the notice, he has an interest in the contract, transaction or arrangement proposed to be entered into by the Company, then that director, supervisor, manager or officer shall be deemed to have made a disclosure for the purposes of and in accordance with the preceding Article, to the extent of the matters disclosed in that notice.

**Article 173** The Company shall not in any manner pay any form of taxes for or on behalf of a director, supervisor, manager or other senior officer.

**Article 174** The Company shall not, directly or indirectly, make a loan or provide any guarantee for a loan to its director, supervisor, manager or other senior officer or to a director, supervisor, manager or other senior officer of its holding company; and shall not make a loan to or provide any guarantee for a loan to a relevant person of a director, supervisor, manager or other senior officer.

The prohibitions contained in this Article shall not apply to the following circumstances:-

- (i) the provision of a loan or a guarantee for a loan by the Company to a subsidiary of the Company;
- (ii) the provision by the Company to a director, supervisor, manager or other senior officer, pursuant to an employment contract approved by the shareholders' general meeting, of a loan or a guarantee for a loan or other funds to meet expenditure incurred by that director, supervisor, manager or other senior officer in the interests of the Company or for the purpose of enabling him to perform his duties for the Company;
- (iii) where the ordinary course of business of the Company includes money lending or the provision of guarantees, the Company may make a

loan to or provide a guarantee for a loan to a director, supervisor, manager, or other senior officer of the Company or relevant persons with such officers, provided that the terms of the loan or guarantee for a loan is on ordinary commercial terms.

**Article 175** A loan made by the Company in breach of the previous Article shall be repaid immediately by the recipient of the loan, regardless of the terms of the loan.

**Article 176** A guarantee provided by the Company in breach of the first paragraph of Article 174 shall not be enforceable against the Company, except in the following circumstances:-

- (i) the lender was not aware of the relevant circumstances at the time the loan was advanced to a relevant person of a director, supervisor, manager or other senior officer of the Company or its holding company;
- (ii) the security provided by the Company has been lawfully sold by the lender to a bona fide purchaser.

**Article 177** The meaning of a guarantee in the foregoing Articles of this Chapter includes giving an undertaking or providing security in the form of assets belonging to the guarantor to guarantee performance of the obligations of the obligor.

**Article 178** In addition to the rights and remedies provided by law and administrative regulations, where a director, supervisor, manager or other senior officer is in breach of his duties to the Company, the Company has the right to take the following measures:-

- (1) to claim damages from that director, supervisor, manager or other senior officer for losses incurred by the Company as a result of such breach;
- (2) to rescind any contract or transaction entered into by the Company with that director, supervisor, manager or other senior officer, or by the Company with a third party (where the third party knew or should have known that director, supervisor, manager or other senior officer of the Company was in breach of his duties towards the Company);
- (3) to require the director, supervisor, manager or other senior officer to surrender any benefit obtained by him as a result of his breach of duty;
- (4) to recover any monies received by the director, supervisor, manager or other senior officer which should have been received by the Company, including (without limitation) commissions;

(5) to recover any interest accrued or which should have accrued on the monies which should have been received by the Company from the director, supervisor, manager or other senior officer.

**Article 179** The Company shall enter into a contract in writing with each director and supervisor in respect of remuneration for his services, with the prior sanction of the shareholders' general meeting. The aforesaid remuneration shall include:-

- (1) remuneration for his services as director, supervisor, manager or senior officer of the Company;
- (2) remuneration for his services as director, supervisor, manager or senior officer of a subsidiary of the Company;
- (3) remuneration for other services provided in connection with the management of the affairs of the Company or its subsidiaries;
- (4) monies payable to the director or supervisor as compensation for the loss of office or upon retirement from office.

Except pursuant to a contract as described above, a director or supervisor shall not institute any proceedings against the Company for benefits due to him in respect of the matters specified above.

**Article 180** A contract of remuneration entered into between the Company and its director or supervisor shall make provisions for that director or supervisor to receive compensation for loss of office or upon retirement in the event of a takeover of the Company, subject to obtaining the informed approval of shareholders in general meeting. A takeover of the Company refers to any of the following circumstances:-

- (i) an offer made by any person to all shareholders of the Company; or
- (ii) an offer made by any person, with a view to the offeror becoming the controlling shareholder within the meaning set out in Article 55.

If the relevant director or supervisor fails to comply with the provision of this Article, then any monies received by him shall belong to those persons who have sold their shares by reason of their acceptance of the offer made, and the expense incurred in distributing the monies pro rata amongst those persons shall be borne by him and not deducted out of the money to be distributed.

**CHAPTER 15      FINANCIAL AND ACCOUNTING SYSTEM AND  
DISTRIBUTION OF PROFITS**

**Article 181**      The Company shall formulate its financial accounting system in accordance with the relevant laws, administrative regulations and the principles relating to PRC accounting standards formulated by the financial supervisory authorities of the State Council.

**Article 182**      The Company shall prepare a financial report at the end of every financial year and shall have it audited in accordance with law.

**Article 183**      The board of directors shall place before the shareholders at every annual general meeting such financial reports as required by the relevant laws, administrative regulations or prescribed documents required by regional governments and supervisory authorities to be prepared by the Company.

**Article 184**      The Company shall submit the annual financial statements to China Securities Regulatory Commission and the stock exchange within four (4) months commencing from the date of the end of every financial year, submit the semi-annual financial statements to the dispatched offices of CSRC and the stock exchange within two (2) months commencing from the date of the end of the first six (6) months of every financial year, and submit the quarterly financial statements to the dispatched offices of CSRC and the stock exchange within one (1) month commencing from the date of the end of the first three (3) months and the first nine (9) months of every financial year.

The aforesaid financial statements shall be prepared as stipulated by relevant laws, administrative regulations and departmental rules.

**Article 185**      The financial reports of the Company shall be made available at the Company 20 days prior to the annual general meeting of the Company for inspection by shareholders. Every shareholder of the Company shall have the right to obtain a copy of the financial reports referred to in this Chapter.

A copy of the aforesaid financial reports shall, at least 21 days before the date of the annual general meeting, be sent by prepaid post by the Company to every holder of overseas listed foreign shares at his/her address as entered in the register of members.

**Article 186**      The financial statements of the Company shall be complying with PRC accounting standards, rules and regulations.

**Article 187** Any interim results of financial information announced or disclosed by the Company shall be prepared in accordance with PRC accounting standards, rules and regulations.

**Article 188** The Company shall announce its financial reports twice in each financial year. The interim report shall be announced within 60 days after the end of the first six months of a financial year. The annual report shall be announced within 120 days after the end of a financial year.

**Article 189** The Company shall not keep any other books of accounts apart from those required by law. The assets of the Company shall not be deposited in any account opened in the name of an individual.

**Article 190** The Company shall extract 10% of the profits into the legal reserve fund of the Company when distributing the after-tax profits of the year. When the accumulated amount of the corporate legal reserve fund takes up more than 50% of the corporate registered capital, there shall be no need of such extraction.

In the event that the corporate legal reserve fund fails to make up for the previous annual losses, the profits of the year shall be used to make up for such losses prior to the extraction of the legal reserve fund as required in the preceding clause.

Subsequent to the extraction of the legal reserve fund from after-tax profits, it shall be permitted to extract arbitrary reserve fund from after-tax profits subject to the approval of shareholders by resolution at the general meeting of shareholders.

After the Company makes up for the losses and the reserve fund is extracted, the remaining after tax profits shall be distributed according to the proportion of shares held by shareholders, unless otherwise the Articles of Association stipulates that the profits shall not be distributed by shareholding ratio.

Provided that the general meeting of shareholders violates the preceding clause and distributes the profits to shareholders before the Company makes up for the losses and extract the legal reserve fund, the shareholders shall return the profits obtained in violation of the clause to the Company.

The profit distribution shall not involve the corporate shares held by the Company.

**Article 191** The corporate reserve fund shall be used to make up for the corporate losses, expand the corporate production and operation or increase the corporate capital. Nevertheless, the capital reserve fund shall not be used to make up for corporate losses.

As the legal reserve fund is converted as corporate capital, the remaining of such reserve fund shall not be less than the 25% of the corporate registered capital prior to conversion.

**Article 192** The manger shall formulate detailed working rules for managers and implement the aforesaid rules after they were submitted to the board of directors and obtained its approval.

The detailed working rules for managers shall including the following contents:

- (1) The conditions and procedures of convening a managers' meeting, and the persons attending;
- (2) Respective duties of and divisions of work among the manager and other senior management officers;

**Article 193** The Company shall implement active profit distribution policy, and its profit distribution policy shall maintain continuity and stability. The Company's profit distribution shall focus on providing investors with reasonable investment return as well as maintaining the sustainable development of the Company.

- (1) In the decision making and argumentation of profit distribution policy, the board of directors and general meetings may consider the opinions of independent directors and public investors, especially minority shareholders, by means such as phone, fax or email.
- (2) The Company may adopt to distribute profit in cash, in shares or in a combination of both cash and shares or as otherwise permitted by the laws and regulations. In the abovementioned distribution method, the Company should consider to distribute the profit in cash first. The board of directors of the Company may propose the Company to declare interim dividends according to the Company's earnings and capital requirement conditions. Unless otherwise approved by the board of directors after demonstration, for which the independent directors have issued independent opinions, and passed by the supervisory committee by way of resolution, the time interval

between any two rounds of dividend distribution shall not be less than six months.

- (3) Cash dividends and other distributions of the domestic shares shall be paid in RMB. Cash dividends and other distributions of overseas listed foreign shares listed in Hong Kong shall be declared in RMB and paid in Hong Kong dollars in accordance with PRC rules and regulations governing the control of foreign exchanges.
- (4) Upon the ending of an accounting year, the board of directors shall reasonably propose a profit distribution plan according to the Company's earnings, capital requirement and return to shareholder. In the argumentation of profit distribution plan, the board of directors shall have sufficient discussion with independent directors and supervisors, hear the opinions of minority shareholders through multiple channels, study carefully and discuss in detail the matters concerning the Company's cash dividends distribution, including the right timing and conditions for the distribution, the lowest payout ratio and the conditions for adjustment and the requirements for decision-making procedures. The profit distribution proposal, when being considered by the board of directors and supervisory committee of the Company, shall be subject to the approval by the majority of all directors, the independent directors and all supervisors respectively, in respect of which the independent directors shall issue explicit opinions. After being considered and approved by the board of directors, the profit distribution plan shall be proposed at the general meeting for shareholders' approval. For the plan of issuing stock dividends or using reserve fund to increase share capital discussed and reviewed by the general meeting of shareholders, it shall be approved by more than two-thirds of voting rights represented by the shareholders present at the meeting.
- (5) As stipulated by such related laws and regulations as the Company Law and this Articles of Association, provided that the remaining distributable profits are positive after the net profits achieved by the Company in the current year are used to make up for losses and extracted for adequate legal and arbitrary reserve fund, and the audit agency has presented a standard opinion-unreserved audit report targeted at the corporate annual financial statements (the medium-term cash dividend plan is allowed to remain to be audited), the Company shall propose the plan for cash distribution except under any special circumstance (for instance, in case of major investment projects or major cash outflow, etc.). When the Company meets the

aforesaid conditions for cash dividend distribution but does not distribute cash dividends for special reasons, the board of directors shall illustrate the specific reason(s) thereof and the use of the fund so retained in a separate report and submit it to the general meeting of shareholders for discussion and review subsequent to the independent directors' stating their opinions on this issue.

- (6) The corporate board of directors shall fully consider a variety of factors, including the industrial features, its development stage, its own business mode, its profitability and the arrangement of major fund outflow, distinguish the following conditions, and release a differentiated policy of cash dividends distribution in line with the procedure stated in this Articles of Association:
  1. In the event that the Company is currently in a mature development stage and arranges no major fund outflow, the proportion of distributed cash dividends in this round of profit distribution shall at least reach 80%;
  2. In the event that the Company is currently in a mature development stage and arranges some major fund outflow, the proportion of distributed cash dividends in this round of profit distribution shall at least reach 40%;
  3. In the event that the Company is currently in a developing stage and arranges some major fund outflow, the proportion of distributed cash dividends in this round of profit distribution shall at least reach 20%;
  4. In the event that the current development stage of the Company is not easy to distinguish but the Company arranges some major fund outflow, the preceding term shall prevail.
- (7) In the event that there will be no material investment projects or matters involving material cash outflow, the Company shall in principle make cash dividends distribution once a year on the premise of guaranteeing the normal business operation and long term development of the Company. The profits distributed in cash annually by of the Company shall not be less than ten percent (10%) of the distributable profits achieved in the current year. If the above ratio shall not cannot be attained for any particular reason, the board of directors should make a special explanatory statement to the general meeting of the Company.

- (8) When the Company operates well, and the board of directors considers that the corporate stock price does not match the size of the corporate share capital and distributing stock dividends can benefit the interest of shareholders of the Company as a whole, a plan for stock dividend distribution can be presented in light of the above-mentioned requirements for cash dividend distribution.
- (9) In the event that adjustments are needed to be made to the Company's profit distribution policy in light of the production and operation conditions, investment planning and long term developments as well as changes in external business environment of the Company, the adjusted profit distribution policy shall comply with the relevant regulations of securities regulatory authorities. The Company should seek the opinions of the independent directors and the supervisory committee of the Company in advance when proposing adjustment to profit distribution policy, and submit to the general meeting of the Company after the approval of the board of directors. Any resolution regarding adjustment to the profit distribution policy proposed at a general meeting for approval shall be passed by more than two-thirds of voting rights represented by the shareholders present at the meeting.
- (10) After the general meeting passes the resolution regarding the profit distribution policy, the Company board of directors should within 2 months complete the distribution task of stock dividend (or shares).

**Article 194** The Company shall appoint (a) receiving agent(s) on behalf of holders of overseas listed foreign shares. The receiving agents shall collect dividends and other monies payable to holders of overseas listed foreign shares on their behalf in respect of the overseas listed foreign shares held by them.

The receiving agent(s) appointed by the Company shall meet the requirements of the laws of the place where the overseas listed foreign shares are listed or other regulations of the relevant securities exchange. A receiving agent appointed by the Company on behalf of the holders of overseas listed foreign shares listed in Hong Kong shall be a trust corporation registered under the Trustee Ordinance of Hong Kong.

**Article 195** The Company adopts the internal audit system, employs full-time audit personnel and conducts internal audit supervision over the corporate financial revenue and expenditure as well as economic activities. The corporate internal audit system and duties of audit personnel shall be implemented and

fulfilled subsequent to the approval of the board of directors. The person in charge of auditing shall be responsible for and report the work to the board of directors.

## **CHAPTER 16 APPOINTMENT OF ACCOUNTANTS**

**Article 196** The Company shall appoint one or more independent firms of accountants which satisfy the relevant PRC requirements to carry out an audit of the annual accounts of the Company and other financial reports of the Company.

A firm of accountants may be appointed at the inaugural meeting prior to the first annual general meeting of the Company and the firm of accountants so appointed shall remain the accountants of the Company until the conclusion of the first annual general meeting.

If, at the inaugural meeting, the Company fails to exercise its powers as stipulated in this Article, those powers shall be exercised by the board of directors.

**Article 197** The term of appointment of a firm of accountants appointed by the Company shall commence from the conclusion of the annual general meeting at which the appointment took place and shall terminate upon the conclusion of the next annual general meeting.

**Article 198** A firm of accountants appointed by the Company shall have the following rights: -

- (1) to inspect at all times the books, records and certificates of the Company, and to require the directors, managers and other senior officers of the Company to provide any necessary information and explanations;
- (2) to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanations as are necessary to enable the firm of accountants to perform its duties;
- (3) to attend shareholders' general meetings and to receive all notices of, and other information relating to, such meetings as which a shareholder of the Company is entitled to receive, and to speak at any shareholders' general meeting on any matter which are its concerns as the accountants of the Company.

**Article 199** If there is a vacancy in the position of accountants, the board of directors may prior to the holding of a shareholders' general meeting appoint a firm of accountants to fill the vacancy, provided that if there is another firm of accountants acting for the Company during the aforementioned vacancy, that firm of accountants may continue to act.

**Article 200** The shareholders' general meeting may by ordinary resolution remove an appointed firm of accountants before the expiry of their term of office notwithstanding any terms contained in the contract between the Company and that firm of accountants. If the firm of accountants has right to claim its compensation against the Company for the termination of its office, that right shall not be affected by the termination.

**Article 201** The remuneration of the firm of accountants and the manner by which it is determined shall be decided by shareholders in general meeting. Where a firm of accountants is appointed by the board of directors, its remuneration shall be determined by the board of directors.

**Article 202** The appointment, dismissal, or termination of employment of a firm of accountants by the Company shall be decided at shareholders' general meetings and reported to the securities regulatory authorities of the State Council.

When a resolution is proposed to be passed at a shareholders' general meeting to appoint a firm of accountants not currently in office to fill a vacancy in the position of accountants, or to reappoint a firm of accountants previously appointed by the board of directors to fill a vacancy, or to remove a firm of accountants before the expiry of its term of office, the following provisions shall apply:-

- (1) The proposed resolution shall be sent, before notice of the shareholders' general meeting is given, to the firm of accountants to be appointed or removed from office, or which left office during the financial year.

Leaving office includes leaving by removal, resignation and retirement.

- (2) If the firm of accountants leaving office makes representations in writing and requests the Company to notify the shareholders of its representations, the Company shall implement the following measures (unless the representations are received too late for the following measures to be implemented) :-

- (i) state in the notice given in connection with the resolution the fact that representations have been made by the firm of accountants leaving office; and
  - (ii) send, in accordance with these Articles, a copy of the representations as an enclosure to the notice to every shareholder entitled to receive notice of shareholders' general meetings.
- (3) If the representations of the relevant firm of accountants have not been dispatched in accordance with paragraph (2) of this Article, that firm of accountants may request that such representations be read at the shareholders' general meeting and it may make further submissions.
- (4) A firm of accountants leaving office shall be entitled to attend:-
- (i) the shareholders' general meeting at which its term of office would otherwise have expired;
  - (ii) the shareholders' general meeting at which the proposal to fill the vacancy caused by its dismissal would be put before the shareholders;
  - (iii) the shareholders' general meeting convened as a result of its voluntary resignation.

A firm of accountants leaving office shall be entitled to receive all notices of, and other information relating to, the meetings referred to above, and to speak at any such meeting on any matter which concerns it as former accountants of the Company.

**Article 203**

If the Company intends to remove or not to re-appoint a firm of accountants, it shall notify that firm of accountants in advance and that firm of accountants shall have the right to make representations to the shareholders' general meeting. A firm of accountants resigning on its own initiative shall make a declaration at the shareholders' general meeting as to whether there is any impropriety in the Company.

A firm of accountants may resign from office by depositing a notice in writing at the Company's legal address. Any such notice shall take effect on the date on which it is deposited at the legal address of the Company or on which it is deposited at the legal address of the Company or on such later date as may be specified in the notice. Such notice shall contain either of the following statements:-

(1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of shareholders or creditors of the Company; or

(2) a statement of any circumstances which should be accounted for.

The Company shall, within 14 days after its receipt of the written notice referred to in the preceding paragraph, send a copy of the notice to the relevant authorities. If the notice contains a statement referred to in paragraph (2) above, a copy of that notice shall be deposited at the Company for inspection by shareholders. The Company shall also send a copy of such notice to every overseas listed foreign shareholder by prepaid post to the address of each such shareholder as recorded in the register of shareholders.

Where the notice of resignation of the firm of accountants contains a statement referring to or stating any circumstances which it should account for, it may require the board of directors to convene an extraordinary general meeting of shareholders for the purpose of giving an explanation of the circumstances referred to in the said notice.

In these Articles, any reference to "a firm of accountants" has the same meaning as a reference to "auditors".

**Article 204** The Company shall guarantee that it will provide the employed accounting firm(s) with authentic and complete accounting documents, account books, financial statements and other accounting materials without rejection, concealment or false information.

## **CHAPTER 17 MERGER AND DEMERGER OF THE COMPANY**

**Article 205** Any merger or demerger of the Company shall be carried out in accordance with a proposal which shall be prepared, and approved in accordance with the provisions of these Articles. Upon such approval, the board of directors may proceed in accordance with the relevant procedures to obtain governmental approvals. Shareholders who object to the merger or demerger of the Company are entitled to require the Company or any shareholders of the Company who agreed to the proposed merger or demerger in question to purchase their shares at a fair price. The contents of the Company's resolution to merge or demerge shall be contained in a document prepared specifically for that purpose, which shall be made available for inspection by all shareholders.

The document referred to above shall also be sent by post to all holders of overseas listed foreign shares.

**Article 206** The Company may merge either by acquisition or by the establishment of a new venture.

When the Company merges, all parties to the merger shall sign a merger agreement, and a balance sheet and an inventory of the Company's assets shall be prepared. The Company shall notify its creditors within 10 days commencing from the date of the resolution which approved the merger and shall make at least 3 newspaper announcements of the merger within 30 days.

After the merger of the Company, the rights and liabilities of the Company and any other parties to the merger shall be assumed by the surviving company or the new venture established as a result of the merger.

**Article 207** When the Company demerges, its property shall be distributed accordingly.

When the Company demerges, all parties to the demerger shall sign a demerger agreement, and a balance sheet and an inventory of the Company's assets shall be prepared. The Company shall notify its creditors within 10 days commencing from the date of the resolution which approved the demerger and shall make at least 3 newspaper announcements of the demerger within 30 days thereof.

The liabilities of the Company prior to the demerger shall be assumed by the companies in existence after the demerger in accordance with the agreement reached, unless otherwise stated in any written agreement concerning debt liquidation reached with the creditor(s) prior to the demerger.

**Article 208** If the merger or demerger of the Company involves changes to the particulars of the Company as contained in the register of the Company as contained in the register of the companies registration authorities of the State Council, such changes shall be registered with the said authorities in accordance with the law. If the Company is dissolved as a result of the merger or demerger, its resignation shall be cancelled in accordance with the law. If a new venture is established as a result of the merger or demerger, its establishment shall be registered in accordance with the law.

## **CHAPTER 18 DISSOLUTION AND LIQUIDATION OF THE COMPANY**

**Article 209** If any one of the following circumstances, the Company shall be dissolved and liquidated in accordance with law:-

- (1) where the term of its business expires or other reason(s) for dissolution as provided in this Articles of Association occurs(occur);
- (2) where the shareholders' general meeting resolves to dissolve the Company;
- (3) where dissolution is necessary by reason of the merger or demerger of the Company;
- (4) where the Company is declared insolvent in accordance with law because it is unable to pay its debts as they fall due;
- (5) where, in accordance with law, the Company has its business license revoked or is ordered to close down by reason of its contravention of law or administrative regulations.
- (6) In the event that the Company encounters severe difficulty in operation and management, the continuous existence of the Company will cause great losses to the shareholders and there is no other way out of this problem, the shareholders representing more than ten percent (10%) of voting rights of all the corporate shareholders are entitled to request the People's Court for dissolution, and the People's Court dissolves the Company accordingly.

**Article 210** If the Company is dissolved and liquidated pursuant to either of the events set out in paragraph (1) and (2) of the preceding Article, it shall establish a liquidation committee within 15 days commencing from the date of that event. The membership of the liquidation committee shall be determined by an ordinary resolution of the shareholders' general meeting.

If the Company is dissolved and liquidated pursuant to the event set out in paragraph (4) of the preceding Article, a liquidation committee comprising or representatives of the shareholders, the relevant government departments and professionals shall be established by the People's Court in accordance with the applicable law for the purpose of carrying out the liquidation.

If the Company is liquidated and liquidated pursuant to the event set out in paragraph (5) of the preceding Article, a liquidation committee comprising of representatives of the shareholders, the relevant government departments and professionals shall be established by the responsible supervisory authorities for the purpose of carrying out the liquidation.

**Article 211** If the board of directors decides to liquidate the Company (for reasons other than the insolvency of the Company), the board of directors shall, in the notice convening a shareholders' general meeting for this purpose, state that, after having made full investigation into the affairs of the Company, it is of the opinion that the Company will be able to pay all its debts in full within the 12 months from the date of commencement of its liquidation.

Upon the passing of a resolution by the shareholders' general meeting to liquidate the Company, the functions and powers of the board of directors of the Company shall cease immediately.

The liquidation committee shall, in accordance with the instructions of the shareholders in general meeting, make a report to the shareholders in general meeting at least once a year on the progress of the liquidation, and the business of the Company. Upon the completion of the liquidation, the liquidation committee shall submit a final report to the shareholders in general meeting.

**Article 212** The liquidation committee shall notify creditors of the Company within 10 days of its establishment, and shall make at least newspaper announcements within 60 days of its establishment.

The creditors shall report the creditor's rights to the liquidation committee within thirty (30) days upon receiving the letter of notice or within forty-five (45) days commencing from the date of announcement in case of receiving no such letter. The creditors shall make explanation about the creditor's rights and provide documents as proof when reporting the creditor's rights. The liquidation committee shall carry out registration of all creditors' rights. During the period of reporting the creditor's rights, the liquidation committee shall not make liquidation for the creditors.

**Article 213** The liquidation committee shall have the following functions and powers during the liquidation of the Company:-

- (1) to evaluate the assets of the Company and prepare a balance sheet and inventory of assets;
- (2) to notify all creditors by notice or public announcements;
- (3) to administer any outstanding businesses of the Company relating to liquidation;
- (4) to settle all outstanding tax due from the Company and the tax arising from liquidation;

(5) to settle all outstanding debts due from and/or claims against the Company;

(6) to administer and distribute any surplus assets remaining after Company's debts have been paid in full;

(7) to represent the Company in any civil proceedings.

**Article 214** After the liquidation committee has evaluated the assets of the Company and prepared a balance sheet and an inventory of the Company's assets, it shall draw up a proposal for the liquidation and submit the same to the shareholders' general meeting or the relevant supervisory authorities for approval.

The assets of the Company shall be distributed in the following order:-

(1) liquidation fees and expenses;

(2) wages and labour insurance premiums of employees;

(3) outstanding taxes due from the Company;

(4) debts of the Company.

Any surplus assets remaining after the above payments have been made in full shall be distributed to the shareholders according to the class(es) and number of shares they hold.

During the course of liquidation, the Company shall not engage in new business activities.

**Article 215** If the Company is being liquidated as a result of its dissolution and, subsequent to its evaluation of the Company's assets and preparation of the balance sheet and inventory of assets, the liquidation committee discovers that the Company's assets are insufficient to repay its debts in full, it shall immediately apply to the People's Court for a declaration of insolvency.

Once the People's Court has declared the Company to be insolvent, the liquidation committee shall hand all matters relating to the liquidation over to the People's Court.

**Article 216** Upon the completion of the liquidation, the liquidation committee shall prepare a liquidation report, accounts of its income and expenditure, and financial reports for the period of the liquidation. Once these accounts and reports are verified by a registered accountant of the PRC, they shall be submitted to the shareholders' general meeting or the relevant supervisory authorities for approval.

The liquidation committee shall, within 30 days of the date of approval by the shareholders' general meeting or the relevant supervisory authorities, submit the accounts and reports mentioned above to the companies registration authorities, apply for cancellation of the Company's registration and announce the cessation of the Company.

**Article 217** The members of the liquidation committee shall be devoted to their duties and fulfill the liquidation tasks. The members of the liquidation committee shall not take bribes or get other illegal earnings with their or seize the corporate properties illegally. The members of the liquidation committee shall be liable for compensation in the event that they cause any loss to the Company or creditors due to intentional or serious faults.

## **CHAPTER 19 PROCEDURES FOR AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**Article 218** The Company may amend any provision contained in these Articles in accordance with the provisions of relevant laws, administrative regulations and these Articles.

In the event of the following circumstances, the Company shall revise these Articles:

- (I) where the items of these Articles conflict with the revised laws and administrative regulations subsequent to the modification of the Company Law or related laws and administrative regulations;
- (II) where the situation of the Company changes and is inconsistent with the items recorded in these Articles;
- (III) where the general meeting of shareholders decides to revise these Articles.

**Article 219** The board of directors shall revise these Articles according to the resolution of the general meeting of shareholders to revise these Articles as well as the review suggestions given by the relevant supervising authorities.

In the event that any item in these Articles to be revised involves information which shall be disclosed as required by laws and regulations, proper announcement shall be made accordingly.

**Article 220** Any amendments to these Articles which involves the "Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas" ("Mandatory Provisions") shall become effective only after the approval of the companies supervisory authorities of the State Council and the approval of the Securities Commission of the State Council are obtained; any amendment involving a change in the particulars of the Company as they appear on the register of the companies registration authorities, shall be registered with the said authorities, in accordance with the law, to record the said changes.

## **CHAPTER 20 RESOLUTION OF DISPUTES**

**Article 221** The Company shall comply with the following rules in respect of the resolution of any dispute:-

- (1) In the event of a dispute or claim between a holder of overseas listed foreign shares and the Company, between a holder of overseas listed foreign shares and the directors, supervisors, managers or other senior officers of the Company, or between a holder of overseas listed foreign shares and a holder of domestic shares, involving any rights or obligations as provided in these Articles, the Company Law and other relevant laws and administrative regulations, or relating to the affairs of the Company, the parties concerned shall refer that dispute or claim to arbitration.

The aforesaid dispute or claim shall be referred to arbitration in its entirety; all persons (if they are directors, supervisors, managers or other senior officers, or shareholders of the Company, or the Company itself) who have a cause of action based upon the same facts giving rise to that dispute of claim, or whose participation are necessary for the resolution of that dispute or claim, shall submit themselves for arbitration.

- (2) An application for arbitration may refer the matter either to the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once the applicant refers a dispute or claim to arbitration, the other party or parties must also submit to arbitral body by the applicant.

If the party apply for arbitration choose to refer the matter to the Hong Kong International Arbitration Centre, then any party concerned shall be entitled to request, in accordance with the requirements of the securities arbitration rules

of the Hong Kong International Arbitration Centre, for that arbitration to be conducted in Shenzhen.

- (3) Unless otherwise provided by law or administrative regulations, where a matter as described in paragraph (1) of this Article is referred to arbitration, the applicable law shall be the laws of the PRC.
- (4) A decision of the arbitration body shall be final and conclusive, and shall be binding on all parties to the dispute or claim.

## **CHAPTER 21      SUPPLEMENTARY ARTICLES**

**Article 222**      The Company appoints the Securities Times and Cninfo Web as the media for publishing the corporate advertisements and other information to be disclosed.

**Article 223**      These Articles of Association are written in Chinese. Provided that any other Article of Association written in any other language or of any different version contradicts with these Articles, the Chinese-version Articles approved and registered in the Zibo Industrial and Commercial Administrative Bureau most recently shall prevail.

**Article 224**      Such terms used in these Articles as “above”, “within” and “under” indicate that the specified number is included; terms like “except”, “lower than” and “more than” indicate that the specified number is not included.

**Article 225**      The board of directors of the Company shall be responsible for the interpretation of these Articles.

**Article 226**      These Articles shall take effect upon the date of being approved by the general meeting of shareholders.