
APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

Set out below is a summary of the principal provisions of the Company’s Articles of Association (hereinafter referred to as the “Articles”) for [REDACTED]’ reference. As the information contained below is only a summary, it does not contain all the information that may be important to potential [REDACTED].

SHARES

Issuance of Shares

The Company’s shares shall be in the form of registered share certificates. The issuance of shares by the Company shall adhere to the principle of openness, equality and fairness. Shares of the same class shall have the same rights. All shares of the same class issued at the same time shall be issued under the same conditions and at the same price; the same price shall be paid for each share subscribed for by any entity or individual.

All shares issued by the Company shall be denominated in RMB with each share having a par value of RMB1.

After the fulfilment of the mandatory procedures stipulated in the Trial Measures and other applicable laws, regulations and regulatory documents, the Company may offer its shares to both domestic and foreign investors. Foreign investors referred to in the preceding paragraph shall mean those investors in foreign countries, Hong Kong, Macau or Taiwan who subscribe for shares of the Company. Domestic investors shall mean those investors in the PRC, excluding the aforementioned regions, who subscribe for shares of the Company.

Shares that the Company issues to domestic investors for subscription in RMB are called domestic shares. Shares that the Company issues to foreign investors for subscription in foreign currencies shall be known as foreign shares. The foreign shares listed overseas shall be referred to as overseas-listed foreign shares. Shareholders of domestic shares, shareholders of unlisted foreign shares and shareholders of overseas-listed foreign shares shall enjoy equal rights in the distribution of dividends or distribution in any other forms. For the purpose of the preceding paragraph, the term “foreign currencies” shall refer to any legal currency of any country or region that can be converted freely, excluding RMB.

After the fulfilment of the mandatory procedures stipulated in the Trial Measures and other applicable laws, regulations and regulatory documents, domestic shareholders of the Company may transfer all or part of unlisted shares (as defined below in this paragraph) held by them to overseas investors, and list such shares on overseas stock exchanges for trading, or convert all or part of unlisted shares into overseas-listed foreign shares, and list them on overseas stock exchanges for trading. Where the above-mentioned unlisted shares are converted into overseas-listed shares, and listed for trading on overseas stock exchanges, general meetings may not be convened for voting. The listing and trading of the above-mentioned shares on any overseas stock exchanges shall comply with the regulatory procedures, regulations and requirements of the overseas stock markets.

The domestic unlisted shares issued by the Company shall be centrally deposited with the China Securities Depository and Clearing Corporation Limited or other securities depository as required by law. The Company’s overseas-listed foreign shares may be custodied by a depository company in accordance with the laws, securities regulatory rules, securities registration and custody requirements of the place where the shares of the Company are listed

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Increase and Reduction of Shares

In accordance with the laws and regulations, the Company may increase the registered capital by the following ways upon approval by resolutions of the general meeting according to the operation and development needs of the Company:

- (I) public offering of shares;
- (II) Private placement of shares;
- (III) offering of bonus shares to existing shareholders;
- (IV) capitalisation of provident fund into share capital;
- (V) other form specified in laws, administrative regulations and regulatory documents or approved by the securities regulatory authority of the place where the shares of the Company are listed and the Hong Kong Stock Exchange.

The Company may reduce its registered capital. Any reduction of the Company’s registered capital shall be subject to the procedures prescribed in the Company Law and other relevant regulations, as well as the Articles of Association.

Repurchase of Shares

The Company may acquire its shares in compliance with laws, regulations, the GEM Listing Rules and the Articles of Association, in one of the following circumstances:

- (I) to reduce the registered capital of the Company;
- (II) to merge with other companies holding the shares of the Company;
- (III) to use the shares as an employee stock ownership plan or equity incentive plan;
- (IV) to purchase its shares from shareholders who have voted against the resolutions on the merger or division of the Company at the general meeting upon their request;
- (V) to convert the shares into convertible corporate bonds issued by the Company;
- (VI) necessary for the Company to maintain its value and protect the interests of the shareholders;
and
- (VII) other circumstances stipulated by laws, administrative regulations, departmental rules, regulatory documents and the GEM Listing Rules.

The Company may repurchase its shares through open centralised trading or other ways recognised by laws, administrative regulations and regulatory documents and securities regulatory authorities of the place where the shares of the Company are listed.

If the share purchase is made under any of the circumstances stipulated in the above (III), (V) and (VI), it shall be conducted by way of open centralised trading.

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Where the Company repurchases its share under the circumstances stipulated in the above (I) and (II), an approval shall be obtained from the general meeting; where the Company repurchases its shares under the circumstances stipulated in the above (III), (V) and (VI), a resolution of the Board shall be passed by a two-thirds majority of directors attending the meeting in accordance with the provisions of the Articles of Association or the authorisation of the general meeting.

The Company shall write off the shares so repurchased within a period stipulated by laws, administrative regulations and the GEM Listing Rules, and shall apply to the original company registration authority for registration of changes in registered capital.

Upon the purchase of its H Shares by the Company pursuant to the provisions in the above (I), such H Shares may, at the option of the Company, be cancelled or held as treasury shares in accordance with the GEM Listing Rules. In the event that the directors do not specify that the relevant Shares are to be held as treasury shares, such H Shares shall be cancelled. The Company shall hold treasury shares in a clearly identifiable separate account within the Central Clearing and Settlement System. The Company shall not exercise any right in respect of the treasury shares, and no dividend may be declared or paid in respect of a treasury share. Treasury shares may be disposed of by the Company on such terms and conditions as determined by the directors subject to these Articles of Association and the GEM Listing Rules.

Where the laws, administrative regulations, departmental rules, regulatory documents and Hong Kong Listing Rules stipulate other provisions on the relevant matters involved in the foregoing share repurchase, those provisions shall prevail.

Transfer of Shares

The shares of the Company may be transferred to other shareholders or to persons other than the shareholders. Unless otherwise provided by laws, administrative regulations, departmental rules, normative documents, the securities regulatory authorities in the place where the shares of the Company are listed and the Hong Kong Stock Exchange, the shares of the Company that have been fully paid for shall not be subject to any restrictions in respect of the right of assignment, can be transferred freely and are not subject to any lien. Transfer of overseas-listed foreign shares listed in Hong Kong shall be registered with the Hong Kong based share registrar entrusted by the Company.

All fully paid-up overseas-listed shares listed in Hong Kong may be freely transferred in accordance with the Articles of Association. However, the board of directors shall have the right to refuse to recognise any instrument of transfer without giving any reason, unless the following conditions are met:

- (I) the transfer instruments and other documents related to the title of any shares or which may affect the title of any shares have been registered, and the Company has been paid all fees as stipulated in the GEM Listing Rules, which shall not exceed the maximum fees required in the GEM Listing Rules as may be amended from time to time;
- (II) the transfer instruments are only in relation to the H shares listed on the Hong Kong;
- (III) the stamp duties required by the laws of Hong Kong for the transfer instruments have been paid;

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- (IV) the relevant share certificate(s) and any other evidence which the Board of Directors may reasonably require to show that the transferor has the right to transfer the shares have been provided;
- (V) where the shares are intended to be transferred to joint holders, the number of such joint holders is no more than four;
- (VI) The shares concerned are free of any lien in favour of the Company; and
- (VII) Any share shall not be transferred to an infant or to a person of unsound mind or under other legal disability.

If the Company refuses to register the transfer of Shares, the Company shall deliver a notification related to the refusal of Shares transfer to the transferor and transferee within 2 months from the date of the application for transferring the Shares. All the transfer instruments shall be kept at the legal address of the Company or such address as the Board of Directors may specify from time to time.

The H-share shall be transferred by a transfer document in writing in any usual or common form or any other form which the Board accepts (including the prescribed form or transfer form as required by the Hong Kong Stock Exchange from time to time). The written transfer documents may only be executed by hand or (if the transferor or the transferee is a company) affixed with the company's seal. If the transferor or transferee is a recognised clearing house as defined by the laws of Hong Kong in effect from time to time or the agent thereof, the written transfer documents may be executed by hand or by machine imprinted signatures. All transfer documents shall be kept at the legal address of the Company, the address of the share transfer agency, or any other place specified by the Board from time to time.

SHAREHOLDERS AND GENERAL MEETINGS

Shareholders

The Company shall set up a register of shareholders based on the certificates provided by the securities registration agency. The register of shareholders shall be sufficient evidence to the holding of the shares of the Company by a shareholder. A shareholder shall enjoy rights and assume obligations according to the class of shares held by them. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

When the Company holds a general meeting, distributes dividend, liquidates or engage in other matters which need to determine the identity of the shareholders, the board of directors or the convener of general meeting shall determine a record date. The shareholders of the Company entitled to relevant rights shall be such persons who appear in the register of shareholders at the close of such record date.

Shareholders of the Company shall be entitled to the following rights:

- (I) to receive dividends and other forms of distributions in proportion to the number of shares they hold;
- (II) to file a petition according to laws, convene, hold and attend the general meetings either in person or by proxy and exercise their corresponding right to speak and voting rights (unless an individual shareholder is required by the provisions of the GEM Listing Rules or the securities regulatory authority of the place where the shares of the Company are listed to abstain from voting on specific matters);

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- (III) to supervise, present suggestions or make inquiries about the business operations of the Company;
- (IV) to transfer, donate or pledge their shares in accordance with laws, administrative regulations, the relevant regulations of the securities regulatory authority of the place where the shares of the Company are listed and the Articles of Association;
- (V) to obtain relevant information in accordance with the provisions of the Articles of Association, including:
 - 1. to obtain the copy of the Articles of Association after payment of costs;
 - 2. to inspect free of charge and copy after payment of a reasonable fee, the following:
 - (1) the complete register of shareholders;
 - (2) personal information on the directors, managers and other senior management staff of the Company, including:
 - (a) current and previous names and aliases; (b) main address (domicile); (c) nationality; (d) full-time and all other part-time occupations and duties; (e) identification documents and their numbers.
 - (3) report of the status of the issued share capital of the Company;
 - (4) report of the total nominal value, quantity, the highest and lowest price of share of each class repurchased by the Company from the last fiscal year, and the total amount paid by the Company for this purpose;
 - (5) special resolutions of the general meetings of the Company;
 - (6) the latest audited financial statements of the Company, and the reports of the Board, auditors and the Audit Committee of the Board;
 - (7) a copy of the latest annual report filed with the State Administration for Industry & Commerce of China or other competent authorities;
 - (8) counterfoils of corporate bonds, resolutions of meetings of the Board, resolutions of meetings of the Audit Committee of the Board; and
 - (9) minutes of the general meetings.

The Company shall keep items (1) and (9) of the aforementioned point 2 at the designated address in Hong Kong for free inspection by the public and shareholders (the minutes of the general meetings are only available for shareholders to inspect and copy after paying a reasonable fee). If the relevant laws, administrative regulations, the securities regulatory authority of the place where the Company’s shares are listed, and Hong Kong Stock Exchange have any other provisions governing the aforesaid announcements, such provisions shall prevail.

The Hong Kong branch register of shareholders must be available for inspection by shareholders. However, the Company may be allowed to suspend the registration of shareholders on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong

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Kong) or the requirements of the securities regulatory authority of the place where the Company’s shares are listed. In other words, the Company may, by notice, close its register of shareholders or that part of the register relating to shareholders holding any class of shares for one or more than one periods, provided that, the accumulative period of closure shall not exceed 30 days within any one year.

Subject to compliance with applicable laws, administrative regulations and securities regulatory rules in the place where the shares of the Company are listed, the Company may reject the requests if the content to be inspected and copied involves the business secrets and inside information of the Company or the personal privacy of relevant personnel.

(VI) to participate in the distribution of the residual assets of the Company in proportion to their shareholdings in the event of the termination or liquidation of the Company;

(VII) to request the Company to purchase their shares for the shareholders who object to the resolution on merger or division made by the general meetings;

(VIII) other rights stipulated by laws, administrative regulations, regulatory documents, the GEM Listing Rules and the Articles of Association.

Shareholders of the Company shall assume the following obligations:

(I) to abide by the laws, administrative regulations and the Articles of Association;

(II) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(III) not to withdraw the shares after the approval and registration of the Company unless required by laws and regulations;

(IV) not to abuse shareholders’ rights to damage the interests of the Company or other shareholders; not to abuse the status of the Company as an independent legal person and the limited liability of shareholders to damage the interests of any creditors of the Company;

(V) other obligations as stipulated by the laws, administrative regulations, the GEM Listing Rules and the Articles of Association.

When any shareholder of the Company abuses the shareholders’ rights and incurs losses to the Company or other shareholders, such shareholder shall be liable for compensation in accordance with the law. Where shareholders of the Company abuse the status of the Company as an independent legal person and the limited liability of shareholders for the purposes of evading debts, thereby materially damaging the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts of the Company.

Where any shareholder holding more than 5% of the voting shares of the Company pledges the shares held by him/her, the shareholder shall submit a written report to the Company on the day on which the pledge occurs.

The controlling shareholders and actual controllers of the Company shall not use their connected relations to damage the interests of the Company. Any losses caused to the Company as a result of such violation shall be compensated.

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The controlling shareholders and actual controllers of the Company shall have fiduciary duties towards the Company and the public shareholders of the Company. The controlling shareholders shall exercise their rights as capital contributors in strict compliance with the law. The controlling shareholders, actual controllers and their connected parties shall not damage the lawful rights and interests of the Company by means of profit distribution, asset restructuring, external investment, fund appropriation, loan guarantee, etc., nor make use of their controlling position to damage the interests of the Company and its public shareholders.

General Provisions for General Meetings

The general meeting is the organ of authority of the Company and shall exercise the following functions and powers according to the law:

- (I) to elect and replace directors and to determine matters relating to the remuneration of the directors;
- (II) to consider and approve the reports of the Board;
- (III) to consider and approve the profit distribution plans and plans for recovery of losses of the Company;
- (IV) to make resolutions on increase or reduction of the registered capital of the Company;
- (V) to make resolutions on the issuance of corporate bonds;
- (VI) to make resolutions on the merger, demerger, dissolution, liquidation or change of corporate form of the Company;
- (VII) to amend the Articles of Association;
- (VIII) to make resolutions on the matter of the appointment and dismissal of accounting firms;
- (IX) to consider and approve the matters of guarantee as prescribed in the Articles of Association which require consideration by the general meeting;
- (X) to consider the matters that the acquisition or disposal of significant assets by the Company within one year if the asset value exceeds 30% of the latest audited total assets of the Company;
- (XI) to consider and approve matters relating to the change of the purpose of raised funds;
- (XII) to consider the share incentive plans and employee shareholding schemes;
- (XIII) to consider other matters that shall be decided by the general meetings as provided by laws, administrative regulations, departmental rules and regulations or the Articles of Association;
- (XIV) other matters required by the GEM Listing Rules or the securities regulatory authority of the place where the Company's shares are listed.

The functions and powers of the general meetings described above shall not be delegated to the Board or any other organisations or individuals through authorisation.

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The general meetings may, under necessary, reasonable and legal circumstances, authorise or delegate the Board to take charge of the matters he or she is authorised or delegated, including but not limited to the following matters in the general meetings:

Subject to the applicable laws, regulations and listing rules, general mandate is granted to the Board to issue, allot and deal with additional overseas listed shares, the quantity of which shall be no more than 20% of the issued overseas listed shares (or any other proportion regulated by applicable laws, administrative regulations and listing rules in the place where the securities of the Company are listed);

The Board is authorised to decide the specific clauses and relevant matters about the issuance of debt financing instruments like domestic short-term financing bonds, medium-term notes, corporate bonds and overseas US dollars bonds within the scope of the limit for bond issuance according to the needs of production operation and capital expenditure and market conditions, including (but not limited to) determining the actual amount, interest rate, term, targets of issuance, use of proceeds of bonds to be issued within the aforesaid scope and preparing, signing and disclosing all necessary documents.

The following external guarantees of the Company shall be reviewed and passed at the general meetings:

- (I) any guarantee provided after the total amount of external guarantees of the Company and its holding subsidiaries has exceeded 50% of the latest audited net assets;
- (II) any guarantee provided after the total amount of external guarantees of the Company has exceeded 30% of the latest audited total assets;
- (III) any guarantee provided by the Company within one year with the total amount of guarantees exceeding 30% of the latest audited total assets;
- (IV) any guarantee provided for any guaranteed party with a gearing ratio of over 70%;
- (V) any single guarantee with the amount of guarantee exceeding 10% of the latest audited net assets;
- (VI) any guarantee provided to the shareholders, actual controllers and connected parties thereof.

General meetings are divided into annual general meetings and extraordinary general meetings.

The annual general meetings shall be convened once a year and be held within six months from the end of the previous fiscal year.

The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

- (I) when the number of directors is less than the statutory number specified in the Company Law or two-thirds of the number specified in the Articles of Association;
- (II) when the unrecovered losses of the Company amount to one-third of the total paid-in share capital of the Company;

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- (III) upon request in writing by a shareholder alone or shareholders together holding more than 10% of the Company’s shares (excluding treasury shares);
- (IV) when the Board considers it necessary;
- (V) upon a proposal by the Audit Committee to convene a meeting;
- (VI) when it is proposed by the independent non-executive directors;
- (VII) any other circumstances stipulated by laws, administrative regulations, departmental rules, the GEM Listing Rules or the Articles of Association.

The Company shall convene a general meeting at its domicile or other places as indicated in the notice of the general meeting.

The general meeting shall arrange a meeting venue and be convened through on-site meetings or simultaneously by electronic means (such as video conference and/or teleconference, etc.), or other forms permitted by applicable laws and regulations. The Company may use electronic communications and other means (including but not limited to online voting, video, or other means) to facilitate shareholders attending the general meeting, as appropriate. Shareholders participating in general meetings in the aforesaid manner shall be deemed to have attended the meeting. Each shareholder has the rights to speak and vote at general meetings save for individual shareholders who are required by the GEM Listing Rules to abstain from voting on particular matters.

The time and venue of on-site meetings shall be selected for the convenient participation of shareholders. After the issuance of the notice of the general meeting, the venue for an on-site meeting shall not be changed without any proper reasons. In case of any necessary change of the venue, the convener shall notify shareholders and state the reasons at least two working days prior to the date of the on-site meeting.

Convening of General Meetings

Independent non-executive directors shall have the right to propose to the Board to convene extraordinary general meetings. When an independent non-executive director proposes to convene an extraordinary general meeting, the Board shall issue written feedback on consent or non-consent to the convening of the extraordinary general meeting within 10 days from the receipt of the proposal according to the laws, administrative regulations and the Articles of Association. If the Board gives consent to convene an extraordinary general meeting, it shall, within five days from the passing of the board resolution, issue a notice on convening the general meetings. If the Board does not give consent to convene an extraordinary general meeting, the Board shall state the reason and issue an announcement.

On the basis of one share for one vote, shareholders holding more than 10% of the shares of the Company (excluding treasury shares) individually or jointly shall have the right to request the Board to convene an extraordinary general meeting, have such right to include resolutions in the agenda and submit such request in writing to the Board. The Board shall issue written feedback on consent or non-consent to the convening of the extraordinary general meeting within 10 days from the receipt of the request according to the laws, administrative regulations and the Articles of Association.

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If the Board gives consent to convene an extraordinary general meeting it shall, within five days from the passing of the board resolution, issue a notice on convening the general meetings. Any changes to the original request in the notice shall obtain the consent of proposing shareholders.

If the Board does not give consent to convene an extraordinary general meeting or does not issue feedback within ten days from the receipt of the request, shareholders holding more than 10% of the shares of the Company (excluding treasury shares) individually or jointly may convene and chair the general meeting on their own.

Prior to the announcement of resolutions passed by the general meeting, the shareholding percentage of the convening shareholders shall be no less than 10% (excluding treasury shares).

For the general meetings convened by shareholders, the Board shall cooperate. The Board shall provide the register of shareholders as at the date of record. The register of shareholders obtained by the convener shall not be used for any purpose other than convening a general meeting.

The necessary expenses for a general meeting convened by shareholders shall be borne by the Company.

Proposals and Notices of General Meetings

The contents of the proposal shall fall within the scope of the functions and powers of the general meetings and shall have specified subjects and specific resolutions, in further compliance with the laws, administrative regulations and the Articles of Association. The proposals of the general meetings shall be in writing.

When the Company convenes the general meeting, the Board and shareholders individually or jointly holding more than 1% of the shares of the Company shall have the right to make proposals.

Shareholders individually or jointly holding more than 1% of the shares of the Company may make provisional proposals and submit them to the convener in writing 10 days before a general meeting and within the time limit specified in the GEM Listing Rules. The convener shall, within two days upon receipt of the proposal, issue a supplementary notice of the general meeting announcing the contents of such provisional proposals in accordance with the provisions of the Company Law and the GEM Listing Rules, which exclude those violating the requirements of the laws, administrative regulations or the Articles of Association, or falling out of the scope of the authority of the general meeting.

Except for the situations described above, the convener shall not modify the proposals already specified in the notice of the general meeting or add new proposals subsequent to the issue of the notice of the general meeting.

The general meeting shall not vote on or resolve any proposals not incorporated in the notice or not in compliance with the Articles of Association.

The convener of the general meeting shall notify the shareholders by announcement twenty-one days prior to the annual general meeting, and shall notify the shareholders by announcement fifteen days prior to the extraordinary general meeting. The notice shall be accompanied by the form of proxy, which shall provide the options for and against all resolutions to be proposed at the meeting.

In determining the commencement date and the period, the Company shall not include the date convening the meeting.

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The notice of a general meeting shall include the following details:

- (I) the time, address and duration of the meeting;
- (II) the matters and proposals submitted to be deliberated at the meeting;
- (III) a prominent written statement that all shareholders are entitled to attend the general meeting and may appoint a proxy in writing to attend and vote at the meeting. The proxy may not be a shareholder of the Company;
- (IV) the date of registration of shareholdings of shareholders who are entitled to attend the general meeting;
- (V) the name and telephone number of the permanent contact person concerning meeting matters;
- (VI) the time and procedure for voting through internet or other means;
- (VII) any other matters stipulated by laws, administrative regulations, regulatory documents, and the GEM Listing Rules.

The specific details of all proposals shall be adequately and fully disclosed in the notice and supplementary notice of the general meeting.

The interval between the date of registration of shareholdings and the date of the meeting shall be no more than seven business days. The date of registration of shareholdings shall not be changed once determined save for any modifications made in accordance with the GEM Listing Rules.

If the matters involving the election of directors are to be discussed at the general meeting, the notice of the general meeting shall fully disclose the detailed information of the candidates for directors, which shall at least include the following:

- (I) personal particulars including full name, educational background, working experience, part-time jobs;
- (II) whether there is any connected relationship between such candidates and the Company or controlling shareholders and actual controller of the Company;
- (III) disclosure of their shareholdings in the Company;
- (IV) whether the candidates have been punished by the relevant regulatory authorities and other relevant authorities or reprimanded by a stock exchange;
- (V) other matters regulated by the GEM Listing Rules.

Except for the directors elected through the cumulative voting system, each candidate for director shall be individually proposed.

After the issuance of the notice for a general meeting, the general meeting shall not be postponed or cancelled without any proper reasons, and the proposals specified in the notice shall not be withdrawn. In case of delay or cancellation, the convener shall give a notice to shareholders stating the reasons at least two business days before the original meeting date.

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Holding of General Meetings

The Board and other conveners shall take all necessary measures to ensure that the general meeting is conducted in an orderly manner, and shall take steps to prevent any activities that interfere the general meetings, cause disturbances and infringe the legal interests of the shareholders, and report such activities to the relevant authorities for investigation and punishment.

All shareholders in the register of shareholders as at the date of record or their proxies shall have corresponding rights to attend and speak at the general meeting and exercise the voting rights according to relevant laws, regulations and the Articles of Association (save that individual shareholders shall be required to abstain from voting on specific matters as provided by the GEM Listing Rules).

Shareholders may either attend and exercise the voting rights at the general meeting in person, or appoint any persons (regardless of whether such person is a shareholder of the Company) as their proxies to attend the meeting and exercise the voting rights within the scope of authorisation. Any shareholder who is entitled to attend and vote at the general meeting shall be entitled to appoint one or more persons (whether such person is a shareholder or not) as his/her proxy(ies) to attend and vote on his/her behalf. Where a shareholder is a Recognised Clearing House (or its proxies) as defined in the relevant regulations enacted in Hong Kong from time to time, it may authorise its corporate representative or one or more persons as it deems fit to act as its proxy(ies) at any general meeting and creditors' meetings; however, if more than 1 persons are thus authorised, the power of attorney shall specify the numbers and classes of shares in respect of which such persons are authorised, and signed by the authorised person of the Recognised Clearing House. The person(s) so authorised may represent the Recognised Clearing House (or its nominee) to attend the meeting, without producing certificates of shareholding, the notarized power of attorney and/or further evidence to prove that he/she has been duly authorised, as if that proxy is an individual shareholder of the Company.

When the general meetings are held, all directors of the Company shall attend the general meetings, and the manager and other senior management shall also attend the meetings on a non-voting basis.

The general meetings shall be convened by the Board and chaired by the chairman of the Board in accordance with the laws. When the chairman of the Board is unable to perform or does not perform his or her duties, a director nominated by more than half of the directors shall chair the meeting. However, the above provision shall not apply to the general meetings convened and chaired by qualified shareholders in accordance with the Articles of Association.

The general meeting convened by shareholders shall be chaired by a representative recommended by the convener.

Where the general meeting is unable to continue due to the chairman of the meeting violating the rules of procedure of the meeting during the meeting, the general meeting may elect a person to chair the meeting upon consent of the attending shareholders with more than half of the voting rights to continue the meeting.

The Company shall formulate the rules of procedure of the general meetings which shall set out the procedures of convening and voting at the general meetings in detail, including notices, registration, consideration for proposals, voting, vote counting, announcement on voting results, formation of the resolutions, meeting minutes and their signing, announcement and other matters, and the principles of

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authorisation of the general meetings granted to the Board. The contents of authorisation shall be clear and specific. The rules of procedure of the general meeting shall be prepared by the Board, approved at the general meeting and attached as an appendix to the Articles of Association.

Except for information that cannot be disclosed according to laws and administrative regulations or information involving with trade secrets of the Company, the directors and senior management shall make explanations and statement on the inquiries and suggestions from shareholders at the general meetings.

Prior to voting, the chairman of the meeting shall announce the number of shareholders and proxies present and the total number of voting shares held by them. The number of shareholders and proxies present and the total number of voting shares held by them shall be subject to the meeting registration.

The Chief Administrative Officer shall be responsible for the minutes of the general meetings. The minutes shall set forth the following contents:

- (I) time, place, agenda of the meeting, name of the convener;
- (II) name of the chairman of the meeting, directors, the manager and other senior management present or in attendance at the meeting;
- (III) number of shareholders and proxies present at the meeting, the total number of voting shares and the proportion of the total number of voting shares to the total shares of the Company;
- (IV) the consideration process, highlights of the speeches and voting results for each proposal;
- (V) queries or suggestions of shareholders and the corresponding replies or explanations;
- (VI) the name of lawyers (if any), counting officers and scrutinisers;
- (VII) such other matters which shall be recorded in the minutes specified by laws and regulations, stock exchange of the place where the shares of the Company are listed or the Articles of Association.

Conveners of the general meetings shall ensure that the contents of the minutes are true, accurate and complete. The directors, the Chief Administrative Officer, convener or his or her representative and chairman of the meeting shall sign on the minutes. The minutes shall be kept together with the attendance record of shareholders attending the meeting, the power of attorney for proxies attending the meeting and the valid information of voting via online voting (if any) or other methods.

The convener of the general meeting shall ensure that the general meeting is held continuously until the final resolutions are reached. In case the general meeting is adjourned or resolutions failed to be reached due to any special reasons like force majeure, necessary measures shall be taken to resume the general meeting as soon as possible or to directly terminate the general meeting. An announcement shall be made accordingly in time.

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Voting and Resolutions of General Meetings

Resolution of a general meeting shall be classified as ordinary resolution or special resolution.

Ordinary resolution shall be passed by a majority of the voting rights represented by the shareholders (including their proxies) attending the general meeting.

Special resolution shall be passed by 2/3 or more of the voting rights represented by the shareholders (including their proxies) attending the general meeting.

The following matters shall be approved by ordinary resolution at the General Meeting:

- (I) a report on the work of the Board of Directors;
- (II) profit distribution plan and loss recovery plan prepared by the Board of Directors;
- (III) appointment and removal of members of the Board of Directors and their remuneration and methods of payment;
- (IV) the annual budget plan and final account plan of the Company;
- (V) the annual report of the Company;
- (VI) matters other than those shall be passed by special resolutions as specified by laws, administrative regulations, the GEM Listing Rules, or the Articles of Association.

The following matters shall be approved by way of special resolutions at a general meeting:

- (I) increase or reduction in the registered capital of the Company;
- (II) division, spin-off, merger, dissolution and liquidation of the Company or change of corporate form of the Company;
- (III) amendments to the Articles of Association;
- (IV) purchase or sale of material assets or guarantees by the Company in excess of 30% of the Company's latest audited total assets within a period of 1 year;
- (V) share incentive schemes;
- (VI) other matters prescribed by the laws, administrative regulations, the GEM Listing Rules, or the Articles of Association, and those matters determined by ordinary resolutions at a shareholders' general meeting to have a material impact on the Company and required to be approved by special resolutions.

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BOARD OF DIRECTORS

Directors

Directors of the Company shall be natural persons. A person shall be disqualified from being a Director of the Company in each of the following circumstances:

- (I) a person who does not have or who has limited capacity for civil conduct;
- (II) a person who has been convicted of and sentenced for offences relating to corruption, bribery, trespass to assets, misappropriation of assets or disrupting the order of the socialist market economy or who has been deprived of his/her political rights as a result of him/her having committed an offence and, in each case, a period of 5 years has not elapsed since the completion of the term of the sentence or deprivation; or a period of 2 years has not elapsed since the expiration of the probation period for suspended sentence;
- (III) a person who was a Director or factory manager or manager of a company or enterprise which had become insolvent and liquidated and who incurred personal liability for the insolvency of that company or enterprise, and a period of 3 years has not elapsed since the date of completion of insolvent liquidation of that company or enterprise;
- (IV) a person who was a legal representative of a company or enterprise which had its business licence revoked or was ordered to close down on the grounds of contravention of law, and who incurred personal liability thereof, and a period of 3 years has not elapsed since the date of revocation of the business licence or closure of that company or enterprise;
- (V) a person is listed as a dishonest party by the People’s Court due to failure to repay his/her relatively large amount of debts when due;
- (VI) a person who has been forbidden by the CSRC with a penalty to access the securities market and who is still in the period of penalty;
- (VII) other circumstances stipulated by laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Shares of the Company are listed. Where the Company elects or appoints any Director by violating the provisions in this Article, such elections, appointments or hiring shall be deemed invalid.

Where any Director, during him/her term of office, is under any of the circumstances as mentioned above, the Company shall remove him/her from his/her post.

The directors shall be elected or replaced by the general meeting, and subject to the provisions of relevant laws and administrative regulations, may be removed by the general meeting through an ordinary resolution before the expiration of their term of office, provided that such removal shall be without prejudice to any claim for damages that such director may have under any contract.

The directors serve three-year terms, and the director can be re-elected and reappointed at the end of the term. However, where the independent non-executive director has served for a term of more than nine years, further appointment shall be subject to the relevant review procedures under the listing rules of the place where the Company’s shares are listed.

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The tenure of a Director shall be from the date of appointment to the expiry of tenure of the current Board. If a Director’s tenure expires without timely re-election, resulting in the number of Directors falling below the quorum, the original Director shall still perform the duties of a Director in accordance with the provisions of laws, administrative regulations, departmental rules and the Articles of Association until the re-elected Director assumes office.

If a director resigns, they shall notify the company in writing, and the resignation shall take effect on the date the Company receives the notice. However, under the circumstances specified in the preceding paragraph above, the director shall continue to perform their duties.

The shareholders’ general meeting may remove any director by a resolution, which shall come into effect from the date on which such resolution is made. Where a director is removed from office prior to expiration of his/her term of office, the director may demand compensation from the Company.

Subject to any violation against the laws, administrative regulations and regulatory provisions of the place where the Company’s shares are listed, if the board of directors appoints any new director to fill any casual vacancy of the board of directors, the term of office of the newly appointed director shall expire on the first shareholders’ general meeting after the appointment. At the same time, such director shall be eligible for re-election.

The general manager or other senior management personnel may concurrently serve as a director, provided that the total number of directors who also hold the position of general manager or other senior management personnel shall not exceed one-half of the total number of directors of the Company.

Directors shall comply with laws, administrative regulations and the Articles of Association and shall owe the following duties of fidelity to the Company:

- (I) shall not accept bribes or other illegal income by taking advantage of their positions, and shall not misappropriate the property of the Company;
- (II) shall not misappropriate the funds of the Company;
- (III) shall not deposit the assets or funds of the Company in an account opened in their own name or in the name of any other individual;
- (IV) directors shall not directly or indirectly enter into any contracts or transactions with the Company without reporting to the Board or the general meeting on the matters relating to the entering into of such contracts or transactions and having such matters approved by a resolution of the Board or the general meeting in accordance with the provisions of the Articles of Association;
- (V) without the consent of a general meeting, he/she shall not take advantage of his/her position to seek business opportunities for himself/herself or others that should belong to the Company, except in one of the following circumstances: (1) where he/she has reported to the Board or the general meeting and has been approved by a resolution of the Board or the general meeting according to the provisions of the Articles of Association; (2) where the Company cannot make use of the business opportunity as stipulated by the provisions of laws, administrative regulations or the Articles of Association;
- (VI) shall not accept commissions related to transactions of the Company and vest in himself/herself;

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(VII) shall not disclose the Company’s secrets without authorisation;

(VIII) shall not take advantage of his connection with the Company to harm interests of the Company;

(IX) shall owe other duties of fidelity specified by laws, administrative regulations, departmental rules, the GEM Listing Rules and the Articles of Association.

The provisions in clause (V) of the preceding paragraph shall apply to the entering of contracts or transactions with the Company by close family members of the Directors and senior management members, enterprises directly or indirectly controlled by the Directors and senior management members or their close family members, and associates who have other affiliations with the Directors and senior management members.

The Company may have a claim against the breaching director for an account of profits for any income earned by such director in violation of the aforesaid provisions; such director is liable for compensation if any loss is caused to the Company.

Directors shall fulfil the following duties of care to the Company in accordance with the laws, administrative regulations and the Articles of Association:

- (I) to exercise the powers conferred by the Company with prudence, care and diligence to ensure that the commercial activities of the Company comply with the provisions of the national laws, administrative regulations and various state economic policies and not exceed the business scope specified in the business licence;
- (II) to treat all shareholders impartially;
- (III) to keep track of the operation and management of the Company on a timely basis;
- (IV) to sign the written confirmation opinions on the Company’s regular reports, and ensure that the information disclosed by the Company is true, accurate, and complete;
- (V) to provide the Audit Committee of the Board with truthful information and materials, and not to intervene in the performance of the Audit Committee or its members of their functions and powers;
- (VI) to perform any other duties of care provided by the laws, administrative regulations, departmental rules, the GEM Listing Rules and the Articles of Association.

Unless otherwise stipulated in this Article, the regulations relating to the qualifications and obligations of directors in the Articles of Association shall be applicable to independent non-executive directors of the Company. Independent non-executive directors shall faithfully perform their duties, safeguard the interests of the Company, protect the legal interests of shareholders of public shares, and ensure that the interests of all shareholders can be fully represented.

If any independent non-executive director fails to meet the qualifications and independence specified in the GEM Listing Rules or encounters any other circumstances inappropriate for him or her to fulfil his or her duties such that the number of independent non-executive directors of the Company falls below the quorum in the Articles of Association, the Company shall inform the Hong Kong Stock Exchange immediately, and explain the relevant details and reasons in the announcement. The Company

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shall, within three months after the non-compliance, fill up the number of independent non-executive directors to meet requirements of the GEM Listing Rules or the securities regulatory authority of the place where the Company’s shares are listed.

Any director who fails to attend two consecutive meetings of the Board in person and fails to appoint any other directors to attend on his behalf shall be deemed to be unable to perform his or her duties. The Board shall propose to the general meeting to remove such director.

A director may resign before the expiration of his or her term of office. The director shall submit a written resignation report to the Board. The Board shall disclose the relevant information within two days.

Where the number of directors of the Board falls below the minimum number of directors stipulated in the Company Law due to the resignation of any director, the original directors shall perform their duties according to laws, administrative regulations, departmental rules and the Articles of Associations before the newly-elected director assumes the office.

Except for the circumstances specified in the preceding paragraph or a later date specified in the resignation report of the director, the resignation of the director shall become effective when the resignation report is delivered to the Board.

Subject to the relevant laws and regulations of the place where the Company’s shares are listed, if the board of directors appoints a new director to fill a casual vacancy on the board of directors or to increase the number of seats on the board of directors, the term of office of such director so appointed shall terminate upon the next annual shareholders’ meeting of the Company, and such director shall then be eligible for re-election. All directors appointed to fill casual vacancies shall be subject to election by shareholders at the first annual shareholders’ meeting following their appointment.

Upon the effectiveness of a director’s resignation or the expiration of his or her term of office, the director shall complete all handover procedures with the Board and his or her duty of loyalty to the Company and its shareholders continues for two years after the end of his or her term of office. His or her obligations to keep the trade secrets of the Company confidential shall remain valid after the expiration of his or her term of office until the relevant secrets become publicly available information.

Unless otherwise specified in the Articles of Association or duly authorised by the Board, no director shall act on behalf of the Company or the Board in his or her personal capacity. When a director acts in his or her personal capacity, and a third party may reasonably believe that such director is acting on behalf of the Company or the Board, the director shall declare his or her stance and capacity in advance.

If the Company suffers any losses due to a director’s violation of laws, administrative regulations, departmental rules or the Articles of Association in fulfilling his or her duties, the director shall be liable for compensation.

The matters relating to independent non-executive directors of the Company shall be carried out according to laws, administrative regulations and regulations of the relevant regulatory authorities and stock exchange, and shall be regulated in details in the work policy of independent non-executive directors of the Company.

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Board of Directors

The Company shall establish the Board, which shall be responsible for the general meeting.

The Board shall consist of six directors and one chairman. The chairman of the Board shall be elected by more than half of the votes by the directors. The Board of the Company shall consist of three executive directors and three independent non-executive directors. Independent non-executive directors shall at least include one director with appropriate professional qualifications, or appropriate expertise in accounting or financial management. At least one independent non-executive director of the Company permanently resides in Hong Kong.

The Board shall perform the following functions:

- (I) to convene the general meetings and report to the general meetings;
- (II) to implement the resolutions of the general meetings;
- (III) to determine business operation plans and investment proposals of the Company;
- (IV) to formulate the plans for profit distribution and recovery of losses of the Company;
- (V) to formulate plans for increase or reduction of the registered capital of the Company, issuance of bonds or other securities and listing;
- (VI) to formulate plans for major acquisitions, purchase of shares of the Company, merger, division, dissolution or changes in the form of the Company;
- (VII) to determine the matters such as the Company’s external investment, purchase or sales of assets, asset pledge, external guarantee, entrusted wealth management, connected transactions and external donation within the scope authorised by the general meeting and the Articles of Association;
- (VIII) to decide on the setup of the internal management organisation of the Company;
- (IX) to determine the appointment or dismissal of the general manager and other senior management of the Company, as well as to determine their remuneration and rewards and punishments; and based on the nomination of the general manager, to appoint or dismiss the chief financial officer, the chief executive officer and other senior management of the Company, and to determine their remuneration, rewards and punishments;
- (X) to formulate the basic management systems of the Company;
- (XI) to formulate plans for any amendments to the Articles of Association;
- (XII) to manage the disclosure of information of the Company;
- (XIII) to propose at the general meeting the appointment or replacement of the accounting firm that performs audit for the Company;
- (XIV) to receive the work report of the general manager of the Company and examine on the work of the general manager;

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(XV) to formulate and implement the equity incentive plan of the Company;

(XVI) to fulfil other duties and powers granted by laws, administrative regulations, departmental rules, listing rules of the place where the shares of the Company are listed or the Articles of Association and the general meeting.

The limitation of the functions and powers of the Board in the Articles of Association shall not be against a bona fide third party.

Where the Board makes decisions on the above matters that fall within the scope of the participation of the Party organisation of the Company in decision-making on major issues, it shall first listen to the opinions and advice of the Party organisation of the Company.

Matters exceeding the scope of authorisation by the general meeting shall be submitted to the general meeting for consideration.

All material matters subject to the decision-making of the Board of the Company shall be informed to all directors within the time specified in the Articles of Association, with sufficient information submitted to directors at the same time in compliance with the regulatory procedure. The directors may request for additional information. When more than one-fourth of the directors or more than two independent non-executive directors consider that the information and materials are insufficient or there are other reasons that make it impossible for them to make a judgment on the matters concerned, they may jointly propose to postpone the meeting of the Board or to postpone the deliberation of part of the matters discussed by the Board, and the Board shall adopt such proposal.

The Board of the Company shall explain to the general meeting of the Company regarding the non-standard audit opinion issued by the certified public accountant on the financial reports of the Company.

The Board shall formulate rules of procedure for the Board to ensure the implementation of resolutions of the general meetings, improve work efficiency and guarantee the reasonable decision-making.

The rules of procedure of the Board shall be drafted by the Board and approved by the general meeting, which shall be taken as an appendix to the Articles of Association.

The Board shall organise relevant experts and professionals to assess major investment projects.

The Board shall have one chairman, who shall be elected by the Board by more than half of all directors. The chairman of the Board shall exercise the following functions and powers:

- (I) to chair the general meetings, and to convene and chair the meetings of the Board;
- (II) to sign important documents of the Board;
- (III) to supervise and check the implementation of board resolutions;
- (IV) to exercise other powers granted by the Board;
- (V) to exercise other powers granted by laws, administrative regulations, department rules, listing rules of the place where the shares of the Company are listed or the Articles of Association.

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In the event that the chairman is incapable of performing or does not perform his or her duties, a directors nominated by more than half of the directors shall perform the duties.

The Board shall convene regular meetings once a year. The meeting shall be convened by the chairman of the Board. The meeting notice shall be delivered to all directors in writing 14 days before the date of the meeting. If necessary, the meeting notice shall also be sent to the general manager and other senior management of the Company.

Shareholders representing more than 1/10 of voting rights (excluding treasury shares) of the Company, more than one-third of all directors may propose to convene an ad hoc meeting of the Board. The chairman shall convene and chair a board meeting within 10 days from the receipt of such request.

The notice on convening any ad hoc meeting of the Board shall be delivered in writing 24 hours before the convening of the meeting to all directors, the general manager, and if necessary, other senior management of the Company.

The notice of the meeting of the Board shall include the following:

- (I) time and place of the meeting;
- (II) duration of the meeting;
- (III) reasons and issues of discussion;
- (IV) date on which the notice is given.

The meeting of the Board may only proceed if more than half of all directors are present at the meeting. Unless otherwise regulated by the Articles of Association, resolutions made by the Board shall be passed by votes of more than half of all directors.

The voting on board resolutions shall adopt one vote per person.

A director with connected relationship with the companies involved with any matters in the resolution of the Board shall neither exercise the voting right for the resolution, nor exercise the voting right on behalf of any other directors, and his/her voting right shall not be counted towards the total voting rights. Such meeting of the Board shall only proceed if more than half of directors with no connected relationship present at the meeting. Except as otherwise provided herein, the resolutions of the meeting of the Board shall be passed by votes of more than half of directors with no connected relationship. In case there is less than three directors with no connected relationship present in the meeting, the matter shall be submitted to the general meeting for review.

The voting at the meetings of the Board shall be conducted by open ballot or by show of hands.

Unless otherwise regulated by applicable laws, administrative regulations and regulatory documents or the GEM Listing Rules, subject to the thorough expression of opinions by all directors, the ad hoc meeting of the Board may be convened and pass resolutions by video conference, telephone conference or handover of written documents for signature, and all directors present at the meeting shall sign on such resolutions. If the Board has distributed the resolutions to all directors, the number of directors signing to consent the resolutions has reached the quorum, and the signed documents of the consent have been sent to the chief executive officer through the above method, the motion will be

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deemed as a resolution passed by the Board, with the same legal force as the resolutions passed in the meetings of the Board convened according to the procedures regulated in relevant provisions of the Articles of Association.

The regular meetings of the Board shall not be convened in the form of handover of written documents for signature.

A director shall attend the meeting of the Board in person. Where a director is unable to attend the meeting of the Board for any reasons, he or she may appoint another director to attend on his or her behalf by a written power of attorney. The power of attorney shall specify the name of the proxy, the matters for entrustment, the scope of authorisation and validity period, and shall be signed or sealed by the principal. A director who attends the meeting on behalf of another director shall exercise the rights of a director within the scope of the authorisation. A director who does not attend a meeting of the Board in person or by proxy shall be deemed to have abstained from voting at such meeting.

The Board shall keep the minutes of the decisions on the matters discussed at the meeting, and all directors present at the meeting shall sign on the minutes. The minutes of the meetings of the Board shall be kept by the chief executive officer as company files.

The minutes of the meeting of the Board shall include the following:

- (I) the date, venue and name of the convener of the meeting;
- (II) the names of the directors present at the meeting, and the names of directors (proxies) present at the meeting appointed by other directors;
- (III) the meeting agenda;
- (IV) summaries of the speeches of directors;
- (V) the voting methods and results for each resolution (the voting result shall indicate the number of votes for, against or abstention).

Special Committees of the Board

The Board of the Company shall set up three special committees including Remuneration Committee, Nomination Committee and Audit Committee. Special committees shall report to the Board, perform duties according to the Articles of Association and authorisation of the Board, and submit proposals to the Board for consideration and decision. Special committees shall consist entirely of directors, of which independent non-executive directors constitute the majority and serve as convenors of the Audit Committee, Nomination Committee and Remuneration Committee, and the convenor of the Audit Committee shall be an accounting professional. The Board shall formulate work principles for special committees and regulate the operation of special committees.

The special committees all comprise directors. The component of which are as follow:

- (I) The Audit Committee shall consist of not less than three members, all of which shall be non-executive directors, and a majority of whom shall be independent non-executive directors with at least one independent non-executive director possessing the appropriate professional qualifications or accounting or related financial management expertise. The chairman must be an independent non-executive director. A majority of the members of the Audit Committee

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shall not hold positions in the Company other than as directors and shall not have any relationship with the Company that may affect their independent and objective judgment. Employee representatives who are members of the Board of the Company may become members of the Audit Committee;

- (II) The Nomination Committee shall consist of at least three (inclusive) directors, the majority of whom shall be independent non-executive directors of the Company. The chairman must be the chairman of the Board or an independent non-executive director;
- (III) The Remuneration Committee shall consist of at least three (inclusive) directors, the majority of whom shall be independent non-executive directors of the Company. The chairman must be an independent non-executive director.

The power of the aforesaid special committees, as well as the remuneration and assessment mechanism for directors and senior management, are detailed in the working principles of the aforesaid special committees.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT

The Company shall have one general manager, who shall be appointed or dismissed by the Board. The Company shall have several senior management personnel, who shall be appointed or removed by the Board.

The circumstances specified in the Articles of Association under which a director may not serve as a director shall also apply to the general manager and other senior management of the Company.

The provisions concerning the duties of loyalty and due diligence of the director specified in the Articles of Association shall also apply to the general manager and other senior management of the Company.

A personnel serving in the administrative capacity other than serving as the director and the supervisor in any controlling shareholders of the Company shall not serve as senior management of the Company.

The senior management of the Company shall receive remuneration from the Company only, and the controlling shareholder shall not pay any remuneration to them on behalf of the Company.

The term of office of the general manager is three years and may be renewed upon reappointment by the Board.

The general manager shall report to the Board, and shall exercise the following functions and powers:

- (I) to be in charge of the production operation and management work of the Company, to organise the implementation of the resolutions of the Board and to report his or her work to the Board;
- (II) to organise the implementation of the annual operation plans and investment proposals of the Company;
- (III) to draft the plan for establishing the internal management body of the Company;

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- (IV) to draft the basic management system of the Company;
- (V) to develop the specific rules of the Company;
- (VI) to suggest the Board on the appointment or dismissal of the chief financial officer, the chief executive officer and other senior management of the Company;
- (VII) to appoint or dismiss management other than those to be appointed or dismissed by the Board;
- (VIII) to exercise other functions and powers granted by the Articles of Association or the Board.

Where the general manager makes decisions on the above matters that fall within the scope of the participation of the Party organisation of the Company in decision-making on major issues, it shall first listen to the opinions and advice of the Party organisation of the Company.

The general manager shall attend meetings of the Board.

The general manager may resign before the expiration of his or her term of office. The specific procedures and methods for the resignation of the general manager shall be determined according to the regulations of the employment contract between the general manager and the Company. The general manager shall draft the general manager’s work rules and submit them to the Board for approval before implementation.

Other senior management shall be nominated by the general manager and appointed or dismissed by the Board.

The Company shall have the chief executive officer to take charge of the preparation of the Company’s general meetings and meetings of the Board, the safekeeping of documents and management of the information of the Company’s shareholders, and matters like disclosure of information.

The chief executive officer shall comply with laws, administrative regulations, departmental rules and the Articles of Association.

In case the general manager and other senior management violate the laws, administrative regulations, departmental rules or the provisions of the Articles of Association in fulfilling their duties of the Company, and as a result cause loss to the Company, they shall be liable for compensation.

The senior management of the Company shall faithfully perform their duties and act in the best interests of the Company and all shareholders. Where any senior management of the Company fails to faithfully perform his or her duties or breaches his or her obligation of good faith and thereby causes damage to the interest of the Company and public shareholders, he or she shall be liable for compensation according to the laws.

AUDIT COMMITTEE OF THE BOARD

The Company does not establish the board of supervisors, and the Audit Committee of the Board shall exercise the following functions and powers:

- (I) to review the regular report of the Company prepared by the Board and to provide comments in writing;

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- (II) to inspect the financial position of the Company;
- (III) to supervise the performance of the directors and senior management and to advise the dismissal of any directors and senior management who violate the laws, administrative regulations, the Articles of Association or resolutions of the general meeting;
- (IV) to demand rectifications of the directors and senior management where their conducts are detrimental to the interest of the Company;
- (V) to propose to convene an extraordinary general meeting and to convene and chair the general meetings if the Board fails to do so as required by the Company Law;
- (VI) to submit proposals at a general meeting;
- (VII) to institute proceedings against directors and senior management according to the Company Law;
- (VIII) to investigate if there are any abnormalities in the operation of the Company; and if necessary, to engage professional institutions such as an accounting firm and a law firm to assist with its work at the expenses of the Company;
- (IX) to exercise other powers granted by laws, administrative regulations, departmental rules, listing rules of the place where the shares of the Company are listed or the Articles of Association and the Terms of Reference of the Audit Committee of the Board.

The Audit Committee of the Board shall convene meetings at least twice a year. External auditors of the Company may request to convene a meeting if it thinks necessary. The Audit Committee of the Board shall formulate relevant rules of procedure to define the discussion method and voting procedure of the Audit Committee of the Board to ensure the work efficiency of the Audit Committee of the Board and that the decision-making process is conducted in a scientific manner.

The voting on the resolutions of the Audit Committee shall adopt one vote per person. A resolution made by the Audit Committee shall be approved by more than half of the members of the Audit Committee.

The following matters shall be approved by votes of more than half of all the members of the Audit Committee before the Board makes resolutions on them:

- (I) appointment or dismissal of the accounting firm providing audit services to the Company;
- (II) appointment or dismissal of the chief financial officer;
- (III) disclosure of financial accounting reports;
- (IV) other matters as stipulated by the securities regulatory authority of the State Council or the securities regulatory authority of the place where the shares of the Company are listed.

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FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial and Accounting System

The Company shall establish its financial and accounting system according to the laws, administrative regulations and the requirements of the relevant governmental authorities.

The accounting year of the Company is based on the calendar year system, which is from January 1 to December 31 of each calendar year. The Company shall prepare a financial accounting report at the end of each fiscal year, which shall be audited by an accounting firm in accordance with the laws. The financial accounting report shall be prepared according to laws, administrative regulations and departmental regulations.

The Company shall publish its financial reports prepared in accordance with either the international accounting standards or that of the place overseas where the Company’s shares are listed twice every financial year, that is, the interim financial report shall be published within three months after the end of the first six months of each accounting year and the annual financial report shall be published within four months after the end of each accounting year.

The Company shall publish two result announcements in each fiscal year, including an interim result announcement within two months after the end of the first six months of each fiscal year, and an annual result announcement within three months after the end of each fiscal year.

Where the above announcements is otherwise regulated by laws, administrative regulations, the securities regulatory authority of the place where the shares of the Company are listed and the Hong Kong Stock Exchange, those provisions shall prevail.

Any interim results or financial information published or disclosed by the Company shall be prepared in accordance with accounting standards and regulations of China, as well as either international accounting standards, or those of the place outside the PRC where the shares of the Company are listed.

The Company shall not keep accounts other than those required by laws. The funds of the Company shall not be kept under the name of any individuals.

In distribution of the profit after tax of the year, 10% of the profit shall be contributed to the statutory reserves of the Company. When the aggregate statutory reserves of the Company has reached more than 50% of the registered capital, the Company may cease to make further contribution.

Where the statutory reserves of the Company is not sufficient to recover the losses for the previous year, the profit of the current year shall first be used to recover the losses before contributing to the statutory reserves as stipulated above.

The Company may also appropriate funds to the discretionary surplus reserves from the profit after tax upon the appropriation of funds to the statutory reserves, subject to the resolution of the general meeting.

The Company may distribute the profit after tax according to the proportion of shareholdings after making up for losses and making allocations to the reserves.

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If the general meeting distributes profits to shareholders before the Company recovers losses and makes allocations to the statutory reserves in violation of the above provisions, the shareholders shall return the profits distributed in violation of the provisions to the Company; where the distribution of profits causes losses to the Company, the shareholders and the liable directors, supervisors and senior management shall bear the liability for compensation.

The shares of the Company held by the Company are not entitled to any profit distribution.

The reserves of the Company may be used to recover losses, expand the production and operation of the Company, or be converted to increase the registered capital of the Company.

When the reserves are used to recover the losses of the Company, discretionary reserves and statutory reserves shall be used first; if the losses still cannot be recovered, the Company may use the capital reserves according to the regulations.

The remaining statutory reserves after the conversion into registered capital shall be no less than 25% of the registered capital of the Company before the conversion.

The Company may distribute dividends through the following two methods (or through both methods simultaneously):

(I) cash

(II) shares.

The cash dividends and other amount paid by the Company to the holders of domestic shares shall be paid in Renminbi. The payment of cash dividends and other payments by the Company to shareholders of unlisted foreign shares shall be denominated and declared in RMB and paid in foreign currencies. The cash dividends and other amount paid by the Company to the holders of overseas-listed shares shall be denominated and declared in Renminbi and paid in Hong Kong dollars. The foreign currency required for the payment of cash dividends and other amount by the Company to the holders of overseas-listed shares shall be arranged in accordance with the provisions of the PRC in relation to foreign exchange administration.

Unless otherwise stipulated by relevant laws and administrative regulations, if the cash dividends and other payments are paid in Hong Kong dollars, the exchange rate shall be the average selling price of relevant foreign currencies announced by the People's Bank of China one calendar week before the date of declaration of dividends and other payments.

Internal Audit

The Company shall adopt an internal audit system and designate full-time auditors to supervise the internal audits of financial incomes and expenses as well as the business activities of the Company.

The internal audit system of the Company and the duties of auditors shall come into effect upon the approval of the Board. The person in charge of audits shall be accountable to and report to the Board.

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Appointment of Accounting Firm

The Company shall appoint an accounting firm that meets the requirements of laws and regulations and has a good reputation to conduct the audit of accounting statements, verification of net assets and other relevant consulting services for a period of one year, which may be renewed.

The decision on the appointment, remove, dismissal or non-renewal of the accounting firm shall be made by the general meeting by ordinary resolutions.

The Company shall ensure that it will provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting information to the accounting firm appointed without any objection, omission or falsehood.

The audit expenses of the accounting firm shall be determined by the general meeting by ordinary resolutions.

In the event of termination of the appointment or non-renewal of the appointment of the accounting firm, the Company shall notify the accounting firm 15 days in advance. In the voting for the dismissal of the accounting firm at the general meeting, the Company shall allow the accounting firm to make its representation. If the accounting firm proposes to resign, it shall explain to the general meeting whether there has been any impropriety on the part of the Company.

If the position of an appointed accounting firm is vacant, the Board may, before convening the general meeting, appoint an accounting firm, provided that such appointment shall be confirmed at the next general meeting. However, if the Company has other incumbent accounting firm during the vacant period, such accounting firm shall still perform their duties.

An accounting firm that is resigning may leave a written notice at the registered office of the issuer. The notice shall include one of the following statements:

- (I) a statement to the effect that there are no circumstances connected with its resignation which it considers shall be brought to the notice of shareholders or creditors of the issuer;
- (II) statements that shall be accounted for;
- (III) Such notices shall become effective on the date on which they are deposited at the registered office of the issuer or on such later date as may be specified in the notices.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

The Company may engage in activities of merger or division according to laws.

A merger by absorption shall refer to that a company absorbs another company, and the company being absorbed shall be dissolved. A merger by establishment of a new company shall refer to that a new company is established as a result of a merger of two or more companies, and the companies being merged shall be dissolved.

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In a merger of companies, all parties to the merger shall sign a merger agreement and prepare their respective balance sheets and checklists of assets. The companies shall notify the creditors within 10 days upon the passing of the resolution about merger and publish an announcement within 30 days.

The creditors may require the Company to pay off the debts or provide corresponding guarantee within 30 days of the receipt of the notice, or within 45 days upon the date of the announcement if they do not receive the notice.

Once the companies are merged, their creditors’ rights and debts shall be assumed by the surviving company or the newly formed company after the merger.

Where a company is divided, its assets shall be divided accordingly.

Where the company is divided, a balance sheet and a checklist of assets shall be prepared. The Company shall notify the creditors within 10 days upon the passing of the resolution about division and publish an announcement within 30 days.

The divided companies shall bear joint and several liability for debts of the predivision company, unless otherwise stipulated in the written agreement between the Company and the creditors in relation to the repayment of debts prior to the division.

A company which intends to reduce its registered capital shall prepare a balance sheet and a checklist of assets.

The Company shall notify the creditors within 10 days upon the passing of the resolution about the reduction in the registered capital and publish an announcement within 30 days. The creditors shall be entitled to require the Company to pay off the debts or to provide corresponding guarantee within 30 days of the receipt of the notice, or within 45 days upon the date of the announcement if they do not receive the notice.

The registered capital of the Company after the reduction shall not be lower than the statutory minimum amount.

In case of merger or division, the Company shall register changes in particulars of the companies as a result of the merger or division with the company registration authority in accordance with laws. In case of dissolution, the Company shall register the cancellation of a company according to laws. In case of incorporation of a new company, the Company shall register the incorporation of a company in accordance with laws.

In case of any increase or reduction in the registered capital, the Company shall register the changes with the company registration authority in accordance with laws.

Dissolution and Liquidation

The Company shall be dissolved for any of the following reasons:

- (I) the expiration of the business period or other reasons for dissolution specified in the Articles of Association;
- (II) the general meeting adopts a resolution to dissolve the Company;

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- (III) dissolution is required due to the merger or division of the Company;
- (IV) the Company’s business licence is revoked, or it is ordered to close down or wind up in accordance with laws;
- (V) where the Company gets into serious trouble in operation and management and its continuation may cause substantial losses to the interests of shareholders, and no solution can be found through any other channel, shareholders holding more than 10% of the voting rights of the Company may request the People’s Court to dissolve the Company.

If the Company has any reasons for dissolution specified in the preceding paragraph, it shall publicise the reasons for dissolution through the National Enterprise Credit Information Publicity System within ten days.

In case of any situation in the paragraph (I), (II) above, and the property has not been distributed to shareholders, the Company may continue as a going concern by amending the Articles of Association or by resolution of the general meeting.

Amendments to the Articles of Association in accordance with the provisions of the preceding paragraph or by resolution of the general meeting shall be approved by more than two-thirds of the voting shares held by the shareholders attending the general meeting.

If the Company is dissolved under the circumstances in the paragraphs (I), (II), (IV) and (V) above, the Company shall establish a liquidation group within 15 days from the date of the occurrence of the cause of dissolution to carry out the liquidation. The liquidation group shall consist of persons determined by directors or by the general meeting. The liquidation obligors shall bear the liability for damages suffered by the Company or creditors due to their failure to perform the obligations of liquidation in a timely manner. If the Company fails to establish a liquidation group within the specified time, or such group does not carry out liquidation after the establishment, the interested person may apply to the People’s Court for appointment of relevant persons to establish a liquidation group to carry out the liquidation.

After checking the assets of the Company and preparing the balance sheet and checklist of assets, if the liquidation group discovers that the Company does not have sufficient assets to settle its debts, the liquidation group shall immediately file a bankruptcy liquidation application to the People’s Court.

After the bankruptcy application is accepted by the People’s Court, the liquidation group shall hand over the liquidation matters to the trustee in bankruptcy designated by the People’s Court.

Upon the completion of the liquidation, the liquidation group shall prepare a liquidation report, submit it to the general meeting or the People’s Court for confirmation and submit it to the company registration authority to apply for deregistration of the Company and announce the termination of the Company.

Members of the liquidation group shall perform their liquidating duties and have obligations of fidelity and diligence.

Where members of the liquidation group causes losses to any property of the Company, he/she shall be liable for damages; members of the liquidation group shall be liable for compensation for losses incurred to the Company or creditors of the Company due to their intentional acts or gross negligence.

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Where the Company is declared bankrupt according to laws, the Company shall implement bankruptcy liquidation according to laws relating to bankruptcy of enterprises.

Amendment to the Articles of Association

In any of the following circumstances, the Company shall amend the Articles of Association:

- (I) if upon amendments to the Company Law, laws, administrative regulations, departmental rules, regulatory documents, or listing rules of the stock exchange of the place where the shares of the Company are listed, any terms contained in the Articles of Association become inconsistent with the provisions abovementioned;
- (II) a change in the Company causes inconsistency with those contained in the Articles of Association;
- (III) a resolution being passed by the general meeting to amend the Articles of Association.

The amendment of the Articles of Association shall be in accordance with the following procedures:

- (I) the Board shall pass a resolution about the amendment of the Articles of Association, and formulate a proposal for amending the Articles of Association;
- (II) the Board shall convene a general meeting to vote on the proposal to amend the Articles of Association;
- (III) the general meeting adopts the amendment to the Articles of Association by special resolution;
- (IV) the Company files the amended Articles of Association with the competent market supervision and management authority.

When a review and approval by the competent authority is required for the amendments to the Articles of Association passed by the general meetings, such amendments shall be submitted to the competent authority for approval. When an amendment to the Articles of Association involves registration, the Company shall also complete the registration of the amendment according to laws.

The Board shall amend the Articles of Association according to the resolution of the general meeting on the amendment of the Articles of Association and the review and approval opinions of the competent authority.

When the amendment to the Articles of Association contains information required to be disclosed by relevant laws and administrative regulations, the Company shall issue an announcement accordingly.