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## APPENDIX VII SUMMARY OF THE ARTICLES OF ASSOCIATION

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Set out below is a summary of the principal provisions of the Articles of Association which have incorporated the Mandatory Provisions as supplemented by the Opinion Regarding the Supplemental Amendments to the Articles of Association of Companies to be Listed in Hong Kong jointly promulgated by the CSRC and the State Commission for Restructuring the Economic System of the PRC and which were adopted at the first extraordinary meeting of the Company held on 29 June 2006 and as subsequently amended by the Board. Copies of the full Chinese text of the Articles of Association are available for inspection as mentioned in the paragraph headed “Documents available for inspection” in Appendix IX.

### 1. Directors

#### (a) *Power to allot and issue shares*

There are no provisions in the Articles of Association empowering the Directors to allot and issue shares.

In order to increase the share capital of the Company, the Directors shall prepare a proposal for an allotment of shares in the Company, and submit the same to shareholders in shareholders meeting for their approval by way of a special resolution. The Directors shall then submit the proposal for the share allotment to the securities regulatory authorities of the State Council for approval and subject to such approval being obtained, make separate arrangements to implement the share allotment.

Subject to the relevant PRC laws and regulations, the Company may by special resolutions at a shareholders meeting, authorise the Directors to allot or issue, either separately or concurrently once every 12 months not more than 20% of each of the existing issued Domestic Shares and overseas listed foreign shares of the Company.

#### (b) *Power to dispose of the assets of the Company*

The Directors shall not without the prior approval of shareholders in shareholders’ meeting, dispose or agree to dispose of any fixed assets of the Company if the aggregate of:

- (i) the expected value of the fixed assets proposed to be disposed of; and
- (ii) the total consideration received by the Company for all disposals of fixed assets which took place within the period of four months immediately preceding the proposed disposal

exceeds 33% of the value of the Company’s fixed assets as shown in the last balance sheet placed before the shareholders in shareholders’ meeting the validity of a disposal of fixed assets by the Company shall not be affected by a breach of this provision. For the purposes of this provision, disposal includes an act involving the transfer of an interest in fixed assets other than by way of security.

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*(c) Compensation of payments for loss of office*

Payment to a Director or Supervisor by way of compensation for loss of office or retirement shall be stipulated in his contract with the Company. A Director or Supervisor shall not institute proceedings against the Company for any benefit due to him in respect of any such arrangement except under a contract entered into in accordance with the foregoing.

In connection with a takeover of the Company a Director or a Supervisor is entitled to compensation or other payment for loss of office or retirement subject to the obtaining of prior approval of shareholders in shareholders' meeting. A "takeover of the Company" refers to any one of the following circumstances:

- (i) an offer made by any person to all shareholders of the Company; or
- (ii) an offer made by any person with a view to the offeror becoming a controlling shareholder (as defined in the Articles of Association) of the Company.

If the relevant Director or Supervisor does not comply with the above provision, any monies received by him shall belong to those persons who have sold their shares by reason of their acceptance of the offer made, and the expenses incurred in distributing the monies pro rata amongst those persons shall be borne by that Director or Supervisor and shall not be deducted out of the monies to be distributed.

*(d) Loans to Directors*

The Company is prohibited from directly or indirectly making a loan or providing any guarantee in connection with a loan made to (i) its Director, Supervisor, general manager, deputy manager or other senior management officers, or (ii) a director, supervisor, general manager, deputy manager or other senior management officers of its holding company, or (iii) to a person connected with the aforementioned officers in the manner described in paragraph 1(f) below.

The prohibitions contained in this paragraph 1(d) shall not apply in the following circumstances:

- (i) the provision of a loan or a guarantee for a loan by the Company to a subsidiary of the Company;
- (ii) the provision by the Company to a Director, Supervisor, general manager, deputy manager or other senior management officers pursuant to an employment contract approved by the shareholders' meeting of the Company, of a loan or a guarantee for a loan or other funds to meet expenditure incurred by him in the interest of the Company or for the purpose of enabling him to perform his duties towards the Company; and
- (iii) where the ordinary course of business of the Company includes the lending of money or the giving of guarantees, the Company may make a loan to or provide a guarantee for a loan to a Director, Supervisor, general manager, deputy manager

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or other senior management officers or persons connected with them (as described in paragraph 1(f) below), provided that the terms of the loan or guarantee for a loan are on normal commercial terms.

A loan made by the Company in breach of the prohibition described above shall be repaid immediately by the recipient of the loan, regardless of the terms of the loan.

A guarantee provided by the Company in breach of the prohibition described above shall not be enforceable against the Company, except in the following circumstances:

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

For the purpose of the foregoing provisions, a guarantee includes giving an undertaking of obligations or provision of security to secure the performance of obligations of the obligor.

*(e) Financial assistance for the acquisition of shares in the Company*

Subject to the exceptions provided in the Articles of Association, where a person is purchasing or proposing to purchase shares in the Company, the Company and its subsidiaries shall not at any time and in any manner give any financial assistance to that person. The aforesaid purchaser of shares includes a person who directly or indirectly assumes obligations by virtue of such purchase of shares. The Company and its subsidiaries shall not at any time and in any manner give financial assistance for the purposes of reducing or discharging such obligations.

The following transactions are not prohibited:

- (i) the provision or financial assistance by the Company in good faith in the interest of the Company and the principal purpose of that assistance is not to acquire shares in the Company or that financial assistance is an incidental part of some larger overall plan of the Company;
- (ii) a lawful distribution of the Company's assets by way of dividend;
- (iii) the distribution of dividend by way of an allotment of bonus shares;
- (iv) a reduction of the Company's registered capital, repurchase of shares or reorganisation of the share capital in accordance with the Articles of Association;

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- (v) the lending of money by the Company within its scope of operations in the ordinary course of its business provided that the Company's net assets are not thereby reduced or to the extent that those assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company; and
- (vi) the provision of money by the Company for contribution to employees' share scheme, provided that the Company's net assets are not thereby reduced or to the extent that those assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company.

For the purpose of the Articles of Association.

- (i) "financial assistance includes (but is not limited to) financial assistance provided:
  - (aa) by way of gift;
  - (bb) by way of guarantee (including the provision of an undertaking or property to secure the performance of obligations by the obligor), indemnity (other than an indemnity given in respect of the Company's own negligence or default), release or waiver;
  - (cc) by way of a loan or entering into a contract under which the obligations of the Company have to be fulfilled before the obligations of the other party to the contract, or by way of the change of the party to that loan or contract, or the assignment of any rights arising thereunder; and
  - (dd) in any other form when the Company is tenable to pay its debts or has no net assets or when its net assets may be reduced to a material extent; and
- (ii) the meaning of "assumed obligations" includes obligations assumed by the obligor as a result of entering into a contract or making any arrangement (whether or not such contract or arrangement is enforceable, and whether or not assumed by him personally or together with any other party) or by any other means whereby his financial position is changed.

*(f) Disclosure of interests in contracts with the Company*

Where a Director, Supervisor, general manager, deputy manager or other senior management officers of the Company has, directly or indirectly, a material interest in a contract, transaction or arrangement entered into or proposed to be entered into by the Company (other than his contract of service), he shall declare the nature and extent of his interest to the Board as soon as possible, whether or not the matters in question are otherwise subject to the approval to the Board. Unless the interested Director, Supervisor, general manager, deputy manager or other senior management officers has disclosed his interests in accordance with the Articles of Association and that matter has been approved by the Board at the meeting at which the interested Director has not been counted in quorum and has refrained from voting, the Company may cancel that contract, transaction or arrangement except as against a bona fide party thereto acting in good faith and without

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notice of the breach of duty by that Director, Supervisor, general manager deputy manager or senior management officers For the purposes of this provision, a Director, Supervisor, general manager, deputy manager or other senior management officers is deemed to have an interest in a contract, transaction or arrangement in which a person connected to him is interested.

If a Director, Supervisor, general manager, deputy manager or other senior management officers, before the question of entering into the relevant contract, transaction or arrangement is first considered, gives to the Board a notice in writing, stating that by reason of the matters specified in the notice, he is interested in a contract, transaction or arrangement proposed to be entered into by the Company, then the relevant Director, Supervisor, general manager, deputy manager or senior management officers shall be deemed to have made a disclosure for the purpose of the above provision within the scope of that specified notice.

A person is connected with a Director, Supervisor, general manager, deputy manager or other senior management officers if he is:

- (i) the spouse or minor child of that Director, Supervisor, general manager, deputy manager or other senior management officers;
- (ii) a person acting in the capacity of trustee of that Director, Supervisor, general manager, deputy manager or other senior management officers or any person referred to in (i) above;
- (iii) a person who is a partner of that Director, Supervisor, general manager, deputy manager or other senior management officers or any person referred to in (i) and (ii) above;
- (iv) a company over which that Director, Supervisor, manager or other senior management officers, alone or together with any person referred to in (i), (ii) and (iii) above, or together with other Director(s), Supervisor(s), general manager, deputy manager or senior management officer(s) have de facto control; or
- (v) a director, supervisor, general manager deputy manager or other senior management officers of the company referred to in (iv) above.

*(g) Remuneration*

The Company shall enter into a contract in writing with each Director and Supervisor in respect of remuneration, with the prior approval of the shareholders' meeting of the Company. Such remuneration includes:

- (i) remuneration in respect of his service as Director, Supervisor or senior management officer of the Company;
- (ii) remuneration in respect of his service as director, supervisor or senior management officer of a subsidiary of the Company;

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- (iii) remuneration in respect of other services provided in connection with the management of the affairs of the Company or its subsidiaries; and
- (iv) monies payable as compensation for loss of his office or retirement from office to that Director or Supervisor.

A Director or Supervisor shall not institute any proceedings against the Company for any benefit due to him in respect of the above matters except under a contract entered into in accordance with the foregoing

*(h) Retirement, appointment and removal*

A person shall be disqualified from being a Director, Supervisor, general manager, deputy manager or other senior management officers of the Company in any of the following circumstances:

- (i) any person who suffers from any incapacity or restricted capacity from undertaking civil obligations;
- (ii) any person who has been convicted of offences relating to bribery, corruption, trespass to assets, misappropriation of assets, or causing social economic disorder or any person who has been deprived of his political rights as a result of his having committed an offence and a period of five years has not elapsed since the completion of the term of sentence or deprivation;
- (iii) any person who was a former director, factory manager or manager of a company or enterprise which had become bankrupt or had been liquidated because of unsound management and who incurred personal liability for the insolvency or liquidation of such company or enterprise and a period of three years has not yet elapsed since the completion of insolvency or liquidation of such company or enterprise;
- (iv) any person who was a legal representative of a company or enterprise, the business licence of which was revoked on the ground of contravention of law, and who incurred personal liability therefor, where a period of three years has not yet elapsed since the revocation of the business licence;
- (v) any person who has failed to repay his relatively large amount of indebtedness when due;
- (vi) a person who because of suspected contravention of criminal law, is under investigation by judicial authorities and the case has not yet been settled;
- (vii) a person who is not eligible for enterprise leadership according to PRC law and administrative regulations;
- (viii) a person who is not a natural person; or

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- (ix) any person who has been determined by the relevant supervisory authority of having contravened the provisions of the relevant securities laws and which involves fraudulent or dishonest acts on his part and a period of five years from the date of such determination has not yet elapsed.

A Director is not required to hold any shares of the Company. There is no stipulation that a Director must retire at a certain age.

All Directors shall be elected by shareholders' meeting of the Company and shall serve a term of three years from the date of their respective elections. Upon the expiry of his term of office, a Director may be re-elected to serve consecutive terms.

A notice of intention to propose a person for election as a Director and a notice in writing by that person of his willingness to be elected shall be given to the Company at least seven days before the date of the relevant shareholders' meeting.

The Board of the Company shall consist of eight Directors, comprising at least two executive directors. External directors, i.e. those who do not assume any executive office in the Company shall account for more than half of the composition of the board of Directors. More than two of the external directors shall be independent non-executive directors, i.e. those independent of and who do not assume any executive office in the Company.

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

### *(i) Borrowing powers*

Subject to applicable laws and regulations, the Company has power to raise capital and borrow money by way of, among other means, the issue of bonds and creation of security over its assets, provided that the exercise of such powers shall not prejudice or abrogate the rights of different classes of shareholders.

## **2. Alterations to constitutional documents**

Any amendment to any provision contained in the Articles of Association requires the sanction of a special resolution at the shareholders' meeting of the Company in accordance with the following procedures:

- (i) the Directors shall adopt a proposal to amend the Articles of Association in accordance with the Articles of Association and shall formulate proposal for amendments;
- (ii) shareholders shall be informed of the proposal for amendments and a shareholders' meeting shall be convened to vote on the amendments;

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- (iii) the amendments shall require the sanction of more than two-thirds of the voting rights held by shareholders attending the shareholders' meeting.

Any amendment to such provisions that are included in the Articles of Association in accordance with the Mandatory Provisions shall only be effective after the approval thereof by the companies supervisory authorities of the State Council and the approval accredited by the Securities Commission of the State Council. Any amendment involving companies registration matters shall be registered in accordance with the PRC law.

### 3. Variation of rights of existing shares or classes of shares

Save as otherwise provided for in article 21 and article 88 of the Articles of Association, any proposal to vary or abrogate the rights conferred on any class of shareholder ("Class Rights") must be approved by a special resolution of shareholders' meeting of the Company and approved by holders of shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association.

The following circumstances shall be deemed to be a variation or abrogation of Class Rights:

- (i) the change in the number of shares of such class, or a change in the number of shares of a class which have voting rights or distribution rights or other privileges which are equal or superior to the shares of such class;
- (ii) the exchange of all or part of the shares of such class for the shares of another class or the conversion of all or part of the Shares of another class for the shares of such class or the grant of a right to such conversion;
- (iii) the removal or reduction of rights to accrue dividends or rights to cumulative dividends attached to such class of shares;
- (iv) the reduction or removal of a preferential right to dividends or a distribution of surplus assets upon liquidation of the Company of such class of shares;
- (v) the addition, removal or reduction of any conversion privilege, option, voting right, transfer right, pre-emptive right or right to acquire securities of the Company attached to such class of shares;
- (vi) the removal or reduction of any right attached to such class of shares to receive money payable by the Company in particular currencies;
- (vii) the creation of a new class of shares which have voting rights, distribution rights or other privileges equal or superior to such class of shares;
- (viii) the imposition of restrictions or increase in restrictions on the transfer right or ownership right of the shares of such class;



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- (ix) the issue of rights to subscribe for, or convert into shares of such class or another class;
- (x) the increase of the right or privileges of another class of shares;
- (xi) the restructuring of the Company which results in classes of shareholders bearing disproportionate responsibilities in such restructuring; and
- (xii) the variation or abrogation of provisions concerning the protection of shareholder rights of various classes of shares in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at shareholders' meetings, shall nevertheless be entitled to vote at class meetings in respect of matters concerning sub-paragraphs (ii) to (viii), (xi) and (xii) above, but Interested Shareholder(s) (as defined below) shall have no voting rights at class meetings.

Resolutions of a class meeting shall be passed by two thirds of the votes of the shareholders of that class (including proxies) present at and who are entitled to vote at the class meeting.

Notice of class meetings needs only be served on shareholders entitled to vote thereat.

Class meetings shall be conducted in a manner as nearly as is possible as shareholders' meetings. The provisions of the Articles of Association relating to the proceedings of shareholders' meetings shall apply to class meetings.

Besides other class of shareholders, holders of Domestic Shares and overseas listed foreign shares shall be deemed to be different classes of shares.

For the purposes of the Class Rights provisions of the Articles of Association an Interested Shareholder is:

- (i) in the case of a repurchase of shares by the Company by way of a general offer to all shareholders in equal proportion or on a stock exchange by public transaction method, the controlling shareholder is defined in the Articles of Association;
- (ii) in the case of a repurchase of shares by the Company by an off-market agreement in accordance with the Articles of Association, the shareholder to which the proposed agreement relates; and
- (iii) in the case of a restructuring proposal of the Company, a shareholder who bears less than a proportionate responsibility than other shareholders of the same class or a shareholder who has an interest different from the interests of the other shareholders of that class.

**4. Ordinary and special resolutions – majority required**

Resolutions of shareholders' meetings may be passed by way of ordinary resolutions or special resolutions.

An ordinary resolution shall be passed by more than one half of the votes held by the shareholders present in person or by proxy at a shareholders' meeting and voting in favour of the resolution.

A special resolution shall be passed by more than two thirds of the votes held by the shareholders present in person or by proxy at a shareholders' meeting and voting in favour of the resolution.

**5. Voting Rights**

A shareholder has the right to attend and vote in person and to appoint a proxy to attend and vote on his behalf at shareholders' meetings. A proxy need not be a shareholder.

Subject to any special rights or restrictions as to voting rights for the time being attached to any class of shares, shareholders (including proxies) who vote at the shareholders' meeting shall exercise their voting rights in relation to the number of shares carrying the right to vote which they hold. Each share shall carry one vote.

At any meeting of shareholders, voting shall be decided on a show of hands unless a poll (before or after any vote by a show of hands) is demanded by the following persons:

- (a) the chairman of the meeting;
- (b) at least two shareholders having the right to vote present in person or by proxy;  
or
- (c) one or more shareholders present in person or by proxy who, alone or together, hold 10% or more of the shares carrying the right to vote at that meeting.

Unless a poll is demanded, a declaration by the chairman that a resolution has been passed based on the result of the show of hands and of an entry to that effect in the minutes of the meeting, shall be conclusive evidence of that fact without further proof of the number or proportion of the votes recorded or the percentage of votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn by the person or persons who demanded it.

A poll demanded on the election of the chairman of the meeting, or on a question of adjournment, shall be taken immediately. A poll demanded on any other matters shall be taken at such time as the chairman of the meeting decides, and the meeting may continue to proceed to discuss other matters. The result of the poll shall be declared as soon as possible and shall be deemed to be the resolution of the meeting at which the poll was demanded.

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Where any shareholder is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

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

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to an additional vote.

### **6. Requirements for annual shareholders' meetings**

General meetings are divided into annual shareholders' meetings and extraordinary shareholders' meetings. General meetings shall be convened by the Board. Annual shareholders' meetings shall be held once every year within six months after the end of each financial year.

### **7. Accounts and audit**

#### *(a) Financial and accounting system*

The Company shall formulate its financial accounting system in accordance with the relevant requirements of PRC law, administrative regulations and the principles relating to PRC accounting standards formulated by the financial supervisory authority of the State Council.

The Company shall prepare a financial report at the end of every financial year and shall have it audited in accordance with the laws and regulations.

The Directors shall place before the shareholders at every annual shareholders' meeting the financial reports required by the relevant laws, administrative regulations or prescribed documents required by regional governments and supervisory authorities to be prepared by the Company.

The financial reports of the Company shall be placed at the Company 20 days prior to the holding of the annual shareholders' meeting of the Company for inspection by shareholders. A printed copy of the financial reports together with the print copy of the report of the Directors shall, at least 21 days before the date of the annual shareholders' meeting, be delivered or sent by prepaid post by the Company to every holder of H Shares at his address as shown on the register of members.

The financial statements of the Company shall, in addition to complying with the PRC accounting standards and regulations be prepared in accordance with either international accounting standards or the accounting standards of the place at which foreign shares of the Company are listed. If there are material differences between the financial statements prepared in accordance with the aforesaid accounting standards, then those financial statements shall specify such differences in the annotations. For the purposes of distributing

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the Company's profits after tax in a given financial year, the Company's profits after tax shall be deemed to be the lesser of the amounts stated in the two sets of financial statements.

Any interim result or financial information announced or disclosed by the Company shall be prepared in accordance with PRC accounting standards and regulations as well as in accordance with either international accounting standards or the accounting standards of the place where the foreign shares of the Company are listed.

*(b) Appointment of auditors*

The Company shall at each annual shareholders' meeting appoint one or more independent firms of accountants which satisfy the relevant PRC requirements to audit the annual financial report and other financial reports of the Company. The accounting firm so appointed by the Company from time to time shall be the auditor of the Company. The term of appointment of the auditors shall commence from the conclusion of the current annual shareholders' meeting until the conclusion of the next annual shareholders' meeting.

The first auditor of the Company may be appointed at the inaugural meeting of the Company or failing which, by the Board, and the auditor so appointed shall hold office until the conclusion of the first annual shareholders' meeting.

If a casual vacancy arises in the office of an auditor, the Board may prior to the holding of a shareholders' meeting appoint an independent firm of accountants to fill the casual vacancy, but if any such vacancy continues the surviving or continuing auditor(s), if any, may continue to act.

The shareholders' meeting may by ordinary resolution remove an auditor before the expiration of its term of office, notwithstanding any terms of contract between the Company and the auditor, but without prejudice to the auditor's claim, if any, against the Company arising from termination of its office.

The remuneration of an auditor appointed by the Board shall be determined by the Board. In all other cases, the remuneration and the method of remuneration of an auditor shall be determined by the shareholders' meeting.

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*(c) Change and removal of auditors*

Where a resolution is passed at a shareholders' meeting to appoint a firm of accountants not currently in office to fill a casual vacancy in the office of auditor, to re-appoint as auditor a retiring auditor who was appointed by the Directors to fill a casual vacancy, or to remove an auditor before the expiration of its term of office, the following provisions shall apply:

- (i) the proposed resolution shall be sent, before notice of a shareholders' meeting of the Company is given, to the firm of accountants proposed to be appointed or the auditor who proposed to leave office or the auditor who has left office in the relevant financial year (leaving office includes leaving by removal, resignation and retirement);
- (ii) if the auditor leaving its office makes representations in writing and requests the Company to notify the shareholders of its representations, the Company shall implement the following measures (unless the representations are received too late):
  - (aa) state in the notice in connection with the resolution the fact that representations have been made by the auditor leaving office; and
  - (bb) send a copy of the representations to every shareholder entitled to receive notice of shareholders' meetings;
- (iii) if the auditors' representations have not been despatched in accordance with (ii) above, the auditor may request such representations be read at the meeting and may make further representations;
- (iv) an auditor leaving office shall be entitled to attend:
  - (aa) the shareholders' meeting at which its term of office would otherwise expire;
  - (bb) any shareholders' meeting at which it is proposed to fill the vacancy caused by its removal; and
  - (cc) any shareholders' meeting convened as a result of his resignation;

and to receive all notices of and other communications relating to, the meetings referred to above, and to speak at any such meeting on any matter which concerns it as the former auditor of the Company.

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### *(d) Resignation of auditors*

Any auditor may resign from office by a notice in writing deposited at the Company's legal address and such notice shall contain either of the following statements:

- (i) a statement to the effect that there are no circumstances connected with the resignation which it considers should be brought to the attention of the shareholders or creditors of the Company; or
- (ii) a statement of any such circumstances which should be accounted for.

Any such notice shall be effective on the date on which it is deposited at the legal address of the Company or on such later date as may be specified therein.

After receipt of the written notice referred to in the preceding paragraphs, the Company shall within 14 days send a copy of the notice to the relevant supervisory authority if the notice contains a statement referred to in sub-paragraph (ii) above, a copy of that notice shall be deposited at the Company for inspection by shareholders. The Company shall also send a copy of the notice to every holder of H Shares by prepaid post to his address as recorded in the register of shareholders.

Where the auditors notice of resignation contains a statement referred to in sub-paragraph (ii) above, it may require the Directors to convene an extraordinary shareholders' meeting for the purposes of receiving an explanation of the circumstances connected with its resignation.

### *(e) Rights of auditors*

Every auditor of the Company shall have a right:

- (i) to inspect at all times the books, records and vouchers of the Company, and to require the Directors, managers or other officers in provide relevant information and explanations;
- (ii) to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanations as are necessary for the purposes of performing its duties as auditor of the Company; and
- (iii) to attend any shareholders' meeting and to receive all notices of and other communications relating to, any shareholders' meeting which a shareholder is entitled to receive, and to speak at any shareholders' meeting on any matter which concerns it as auditor of the Company.

For the purpose of the Articles of Association, any reference to "a firm of accountants" has the same meaning reference to "auditors".

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### 8. Notice of meetings and business to be conducted thereat

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

The Company shall not without the prior approval of shareholders in shareholders' meeting enter into any contract with any person other than a Director, Supervisor, general manager, deputy manager or other senior management officers of the Company whereby the responsibility for the management for the whole or any substantial part of the business of the Company is given to such person.

The Directors shall convene an extraordinary shareholders' meeting within two months of the occurrence of any of the following events:

- (i) when the number of Directors is fewer than the number prescribed by PRC Company Law or fewer than two thirds of the number prescribed by the Articles of Association;
- (ii) when the accumulated losses of the Company amount to one third of the total amount of its share capital;
- (iii) upon the written requisition of shareholders holding 10% or more of the Company's issued shares carrying the right to vote;
- (iv) when the Directors consider it necessary or when the supervisory committee proposes to convene a shareholders' meeting; and
- (v) when two or more independent Directors propose to convene a shareholders' meeting.

Written notice of shareholders' meeting shall be given not less than 45 days before the date of the meeting, exclusive of the day on which the notice is despatched and the day of the meeting.

A notice of shareholders' meeting shall:

- (i) be given in writing;
- (ii) specify the place, the date and the time of the meeting;
- (iii) state the matters to be considered at the meeting;
- (iv) provide such information and explanation as necessary for the shareholders to make an informed decision on the matters proposed to be considered without limiting the generality of the foregoing principle where the Company proposes to merge with another, to repurchase its shares, to reorganise its share capital, or to

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restructure in any other way, the details of the terms of, and the contract (if any) for the proposed transaction shall be provided and the effect of such proposal must be properly explained;

- (v) disclose the nature and extent of the material interests, if any, of any Director, supervisor, manager or other senior management officers in the matter to be considered at the meeting, and the effect of such matter if any, on him in his capacity as shareholder in so far as it is different from the effect on other shareholders of the same class;
- (vi) contain the full text of any special resolution proposed to be passed to the meeting;
- (vii) contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy so appointed need not be a shareholder; and
- (viii) specify the time and place for lodging the proxy forms.

Any matter not set out in the notice convening an extraordinary shareholders meeting shall not be decided at that meeting.

Where the Company convenes an annual shareholders' meeting, shareholders holding 5% or more of the Shares carrying voting rights are entitled to propose to the Company in writing new matters to be considered. The Company shall include in the agenda of that meeting those matters contained in the proposal which are within the scope of the duties of the shareholders' meeting.

In respect of holders of H Shares, notice of shareholders' meetings shall be served on all shareholders (whether or not they are entitled to vote thereat) by personal delivery or prepaid mail to the addresses recorded on the register of holders of H Shares. In respect of holders of Domestic Shares, notice of shareholders' meetings may be served in the aforesaid (manner or published on any one day within the period specified in the Articles of Association in one or more newspapers specified by the securities regulatory authorities authorised by the State Council. Once published, all holders of Domestic Shares shall be deemed to have received the relevant notice.

The Company shall give a notice so that those foreign shareholders whose registered address is in Hong Kong have sufficient time to exercise their rights or act in accordance with the terms of the notice.

The accidental omission to give notice of a meeting to, and the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate that shareholders meeting or any resolution passed at that meeting.

Shareholders may convene an extraordinary shareholders' meeting or class meeting in accordance with the following procedures: two or more shareholders holding on the date of the deposit of a requisition 10% or more of the Shares carrying voting rights at the proposed



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## APPENDIX VII SUMMARY OF THE ARTICLES OF ASSOCIATION

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meeting may, by signing one or more counterpart requisitions require the Directors to, and the Directors shall as soon as possible proceed to, convene an extraordinary shareholders' meeting or the relevant class meeting. If the Directors fail to issue a notice convening such a meeting within 30 days of their receipt of the requisition, the requisitioning shareholders may on their own convene such a meeting within four months of the receipt of such requisition by the Directors in a manner as nearly as possible to that of a shareholders meeting convened by the Directors. The following matters shall be approved by special resolution of a shareholders' meeting of the Company:

- (i) an increase or reduction of the Company's capital and the issue of any class of shares, warrants or other similar securities;
- (ii) issue of bond of the Company;
- (iii) the demerger, merger, dissolution and liquidation of the Company;
- (iv) any amendment to the Articles of Association: and
- (v) any other matters which the shareholders' meeting has resolved (by way of ordinary resolution) as having a material effect on the Company and should be approved by special resolution

Subject to such matters as may be specified in the Articles of Association as requiring approvals at class meetings, the following matters shall be approved by ordinary resolution of a shareholders' meeting of the Company:

- (i) work reports of the Board and the supervisory committee;
- (ii) proposals formulated by the Board for the distribution of profits and for making up accrued losses;
- (iii) appointment and removal of the members of the Board and the supervisory committee, their remuneration (including but not limited to compensation payable upon the loss of office of a Director or on completion of his term of appointment) and the method of payment of such remuneration;
- (iv) annual financial budgets and final accounts, balance sheet, profit and loss account and other financial reports of the Company;
- (v) appointment or removal of an accounting firm; and
- (vi) all other matters required to be approved by a shareholders' meeting other than those required to be approved by way of special resolution under PRC law, administrative regulations or the Articles of Association transfer of H shares.

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### 9. Transfer of H Shares

Unless otherwise prescribed by law and/or administrative regulations, shares of the Company are freely transferable free from all liens.

All transfers of H Shares shall be effected by a transfer in writing in the usual common form or in such other forms as the Directors may accept and shall be duly signed by the transferor.

All fully paid up H Shares are freely transferable in accordance with the provisions of the Articles of Association, but except where the conditions set out below are satisfied, the Directors may refuse to recognise any transfer document without providing any reason:

- (i) payment of HK\$2.50 or higher charge as permitted by the Stock Exchange has been made to the Company for the purpose of registering the instrument of transfer and other documents in connection of or may affect the title of the shares;
- (ii) the transfer document relates only to H Shares which are listed on GEM;
- (iii) the stamp duty payable on the instrument of transfer has been paid;
- (iv) relevant share certificates and evidence that the transferor has the right to transfer such shares as reasonably required by the Directors have been provided;
- (v) if the shares of the Company are transferred to joint holders, the number of joint holders does not exceed four; and
- (vi) the relevant shares of the Company are free from all liens.

No shares of the Company shall be transferred to any person who is not of legal age or has mental or other legal incapacity.

Changes in the shareholders register due to the transfer of shares should not be made within 30 days of the shareholders' meeting or less than 5 days before the record date for the Company's distribution of dividends.

Subject to the approval by the securities supervisory and administrative authorities of the State Council, the shareholders of Domestic Shares of the Company may transfer their shares to overseas investors and such shares may be listed or traded overseas. Any listing or trading of the transferred shares on an overseas securities exchange shall also comply with the regulatory procedures, rules and requirements of such overseas securities exchange. The listing and trading of the transferred shares on an overseas securities exchange shall not be required to be resolved in a class meeting of the Company.

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### 10. Power of the Company to purchase its own shares

Subject to the approval of the relevant PRC supervisory authorities and to the provisions of the Articles of Association, the Company may repurchase its issued shares in the following circumstances:

- (i) to cancel its shares for the purpose of reducing its share capital;
- (ii) to merge with another company which holds shares of the Company; or
- (iii) under any other circumstances permitted by law and administrative regulations.

A share repurchase may only be made by one of the following methods:

- (i) under a general offer to all shareholders in the same proportion;
- (ii) through open trading on the stock exchange; or
- (iii) by an off-market agreement outside a stock exchange.

The Company may with the prior approval of a shareholders' meeting obtained in accordance with the Articles of Association, repurchase its own shares pursuant to an off-market agreement. The Company may release, vary or waive its rights under an agreement so entered into by the Company if the prior approval of a shareholder' meeting is given in the same manner. An agreement to repurchase shares includes but is not limited to, an agreement to assume an obligation to repurchase or to acquire rights to repurchase shares of the Company.

For the redeemable shares which the Company has the rights to repurchase, the price shall not exceed the highest limit specified by the instrument relating to the issue of the redeemable shares other than those repurchased in the market or by way of tender. For those shares which are repurchased by way of tender, a tender offer must be offered to all the shareholders with the same conditions.

Shares repurchased by the Company shall be cancelled within the period stipulated by laws and administrative regulations and the amount of the Company's registered capital shall be reduced by the par value of those share. The Company shall apply to file authority for companies registration with which it was originally registered to amend the registration as to registered capital.

The Company shall not assign a contract to repurchase its shares or any of its rights under such a contract.

Unless the Company is in liquidation:

- (i) where the Company repurchases its shares at nominal value, payment shall be made out of distributable profits of the Company or out of the proceeds of an issue of new shares made for that purpose;

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- (ii) where the Company redeems or repurchases its shares at a premium, payment up to the nominal value of those shares may be made out of the distributable profits of the Company or out of the proceeds of an issue of new shares made for that purpose. Payment of the portion in excess of the nominal value shall be made as follows:
  - (aa) if the shares being repurchased were issued at nominal value, payment shall be made out of the distributable profits of the Company;
  - (bb) if the shares being repurchased were issued at a premium, payment shall be made out of the book balance of the distributable profits of the Company or out of the proceeds of an issue of new shares made for that purpose, provided that the amount paid out of the said proceeds do not exceed the aggregate amount of premium received by the Company on the issue of the shares being repurchased nor shall it exceed the current amount of the Company's share premium account or capital reserve fund account, including the premium on the new shares issued;
- (iii) payment by the Company for the following purposes shall be made out of the Company's distributable profits:
  - (aa) the acquisition of rights to repurchase its own shares;
  - (bb) the variation of any agreement to repurchase its own shares; or
  - (cc) the release of any of the Company's obligations under any agreement to repurchase its shares.

To the extent that shares are repurchased out of an amount deducted from distributable profits of the Company, such amount shall be charged to the Company's share premium account or the capital reserve fund account.

Upon the reduction of registered capital, the Company shall prepare a balance sheet and a list of its assets. The Company shall notify its creditors within 10 days from the date of passing of the resolution for the reduction of registered capital and shall publish the notice at least three times in the newspaper within 30 days thereof. Creditors who receive this notice shall have the right within 30 days from the date of receiving the notice, and the creditors who have not received the notice shall have the right within 90 days from the date of the notice was first published in the newspaper, to require the Company to settle the debt or to provide corresponding security in respect of the debt.

### **11. Power of any subsidiary of the Company to own shares in its parent company**

There are no restrictions in the Articles of Association preventing any subsidiary of the Company from holding Shares in its parent company.

**12. Dividends and other methods of distribution**

After making payment of relevant taxes and levies, the profits of the Company shall be applied in the following order:

- (i) making up of accrued losses;
- (ii) allocation to statutory common reserve;
- (iii) allocation to statutory public welfare fund;
- (iv) allocation to discretionary common reserve as resolved in shareholders' meeting;
- (v) 10% of the Company's distributable profits be allocated to reward fund; and
- (vi) payment of dividends in respect of ordinary share.

The detailed proportion of distributions in respect of items (v) to (vi) above for any year shall be formulated by the Directors in accordance with the operating conditions and development requirements of the Company and shall be submitted to the shareholders' meeting for approval.

No dividends shall be paid before the Company has made up its accrued losses and has made allocation to its statutory common reserve and its statutory public welfare fund. No dividend, unless the same is not paid by the Company when due and payable, shall bear interest as against the Company.

The Company shall allocate 10% of its profits after tax to the statutory common reserve provided that no allocation is required if the accumulated statutory common reserve exceeds 50% of the registered capital.

The Company shall allocate its profits to the discretionary common reserve in accordance with the resolutions passed at shareholders' meetings.

The following sums shall be appropriated to the capital common reserve:

- (i) the amount of share premium arising from the issue of shares at a premium; and
- (ii) other income required by the financial supervisory authority of the State Council to be appropriated to the capital common reserve.

The Company's common reserve (which comprises the statutory common reserve, discretionary common reserve and the capital common reserve) shall only be used for the following purposes:

- (i) to make up accrued losses;
- (ii) to expand the business operations of the Company; and

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## APPENDIX VII SUMMARY OF THE ARTICLES OF ASSOCIATION

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- (iii) to be converted into capital. The Company may, upon the approval of a special resolution passed at the shareholders' meeting, convert its common reserve into capital and issue bonus shares to existing shareholders in proportion to their existing shareholdings or to increase the nominal value of each share when converting the statutory common reserve into capital, the balance of such fund after such conversion must not be less than 25% of the registered capital of the Company.

The Company shall allocate 5% to 10% of its profits after tax to the statutory public welfare fund. The Company shall apply its statutory public welfare fund for the collective welfare of the employees of the Company from time to time.

The Directors may, subject to the approval of the shareholders in shareholders' meeting resolve to distribute interim dividends.

The Company may distribute dividends by way of cash and/or bonus shares. Dividends and other distributions declared by the Company to be payable to Domestic Shares shall be calculated, declared and paid in Renminbi. Dividends and other distributions payable on H Shares shall be calculated and declared in Renminbi but paid in Hong Kong dollars.

The Company shall appoint a receiving agent to receive on behalf of holders of H Shares dividends payable in respect of the Shares. Such receiving agent shall be a trust corporation registered under the Trustee Ordinance of Hong Kong.

The Company shall, subject to applicable laws, not exercise its powers to forfeit any unclaimed dividend in respect of H Shares until after the expiration of six years after the date of declaration of the dividend.

### 13. Proxies

A shareholder may attend and vote at or appoint a proxy to attend and vote on his behalf at shareholders' meetings. If a shareholder is a company, its legal representative or any person authorised by its board of directors or other governing body to act as its representative may attend the shareholders' meeting.

Any shareholder entitled to attend and vote at a shareholders' meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy or proxies to attend and vote instead of him, and a proxy so appointed shall:

- (i) have the same rights as the shareholder to speak at the meeting;
- (ii) have the right to demand or join with others to demand a poll; and
- (iii) have the right to vote on a show of hands or on a poll but a proxy of a shareholder who has appointed one proxy may only vote on a poll.

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The instrument appointing a proxy shall be in writing under the hand of the appointor or its proxy duly authorised in writing. If the appointor is a legal person, the instrument shall be signed under a legal person's seal or under the hand of its director or a proxy duly authorised in writing.

The instrument appointing a proxy shall be deposited at the legal address of the Company, or such other place the time prescribed in the notice convening the meeting, 24 hours before the holding of the relevant meeting or 24 hours before the time at which the poll is to be conducted. If such instrument is signed by a person under a power of attorney or other document of authority on behalf of the appointor, a notarially certified copy of that power of proxy or other document of authority shall also be deposited together with the said instrument at the Company's legal address or such other place prescribed in the notice convening the meeting.

Any form issued to shareholders by the Directors for appointing a proxy shall enable every shareholder, according to his intention, to instruct his proxy to vote in favour of or against each resolution proposed at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointor, the proxy may vote as he thinks fit.

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

A vote given in accordance with the terms of the instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointor or revocation of the proxy or the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no notice in writing of those matters shall have been received by the Company before the commencement of the relevant meeting.

### **14. Calls on shares and forfeiture of shares**

The Articles of Association do not contain any provisions regarding calls on shares and forfeiture of shares.

### **15. Inspection of register of members**

The Company shall keep a register of shareholders and enter therein the following matters:

- (i) the names and addresses, and the occupation or nature of occupation of each shareholder;

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- (ii) the number of each class of shares held, the amount paid or payable on the Shares, and the serial number of the shares in respect of each shareholder;
- (iii) the date on which each person is entered in the register as a shareholder; and
- (iv) the date on which any person ceases to be a shareholder.

The register of shareholders shall be sufficient evidence of the holding of Shares by the shareholders unless there is evidence to the contrary.

The Company shall keep a complete register of shareholders which shall comprise the following parts:

- (i) a part maintained at the Company's legal address which shall be the register of all shareholders other than those registered in accordance with sub-paragraphs (ii) and (iii) below;
- (ii) a register of holders of overseas listed foreign shares maintained at the place of listing; and
- (iii) such parts in such other places as the Directors may deem necessary for the purpose of listing the Company's shares.

A duplicate of the register of holders of overseas listed foreign shares shall be made and maintained at the Company's legal address. The Company may appoint an overseas agent to keep the register of holders of such shares. The appointed overseas agent shall ensure at all times that the original and duplicate registers of holders of overseas listed foreign shares are the same. In the event of inconsistencies between any information recorded in the original register and that in the duplicate, the original shall prevail. Different parts of the register of shareholders shall not overlap. No transfer of any shares registered in one part of the register shall, during the continuance of the registration of those shares, be registered in any other parts of the register of shareholders. The alterations and rectification of each part of the register of shareholders shall be made in accordance with the law of its shareholders of ordinary shares of the Company shall enjoy, inter alia, the right to receive relevant information in accordance with the Articles of Association, including:

- (i) obtaining the Articles of Association after paying relevant cost;
- (ii) inspecting and making copies of the following documents after paying reasonable costs:
  - (aa) all parts of the register of shareholders;
  - (bb) biographical information of the Company's directors, supervisors, managers and other senior officers, including:
    - (1) Name and alias used at present and previously;



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- (2) Principal address;
  - (3) Nationality;
  - (4) Profession and all other part-time jobs and positions;
  - (5) Identification documents and its number.
- (cc) Status of share capital;
- (dd) Reports of the aggregate par value, number of shares, and highest and lowest prices of each category of shares bought back by the company since the last fiscal year as well as the expenses paid by the company therefore;
- (ee) Minutes of shareholders' meeting.
- (iii) participate in the distribution of the company's remaining assets based on the number of shares held by the shareholders when the company is terminated or liquidated; and
- (iv) other rights permitted by laws, administrative regulations and the Articles of Association.

### **16. Quorum for shareholders' meetings and class meetings**

A shareholder who intends to attend a shareholders' meeting shall deposit at the Company's legal address a written reply confirming his intention of attendance at least 20 days prior to the date of the meeting. The Company shall, according to the written replies received 20 days prior to the shareholders' meeting, calculate the number of shares carrying the right to vote represented by the shareholders proposing to attend the meeting. If the number of shares, carrying the right to vote represented by shareholders proposing to attend the meeting reaches half of the total number of shares in the Company which carry rights to vote, the Company may proceed to hold the shareholders' meeting; if that number is not reached, the Company shall within five days notify the shareholders again of the matters proposed to be discussed at the meeting, the date and venue of the meeting by way of public announcement. After such public announcement, the Company may proceed to hold the shareholders' meeting.

The above procedure applies, *mutatis mutandis*, to shareholders of each class of shares in respect of class meetings.

**17. Rights of the minorities in relation to fraud or oppression**

Apart from the obligations imposed by law, administrative regulations or the listing rules of the stock exchange(s) on which shares of the Company are listed, a controlling shareholder when exercising his rights as a shareholder shall not, by virtue of the exercise of his voting rights, cause a decision to be made in it manner prejudicial to the interest of the shareholders generally or any part thereof in connection with the following matters:

- (i) to relieve a Director or Supervisor of his responsibility to act honestly in the best interests of the Company;
- (ii) to approve the expropriation in any form by a Director or Supervisor (for his own benefit or for the benefit of another person), in any manner, of the Company's assets including, without limited opportunities beneficial to the Company; or
- (iii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the personal rights of other shareholders, including without limitation, rights to distributions and voting rights, but not including a restructuring of the Company submitted to and approved by shareholders in shareholders' meeting in accordance with the Articles of Association.

For these purposes, a controlling shareholder means a person who satisfies any one of the following conditions:

- (i) he, when acting alone or together with others, has the power to elect more than half of the Directors;
- (ii) he, when acting alone or together with others has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;
- (iii) he, when acting alone or together with others, holds 30% or more of the issued Shares of the Company; or
- (iv) he, when acting alone or together with others, in any other manner has de facto control of the Company.

**18. Procedures on liquidation**

The Company shall be dissolved and liquidated in any one of the following circumstances:

- (i) a shareholders' meeting resolved by special resolution to dissolve the Company;
- (ii) dissolution is necessary by reason of its merger or demerger;
- (iii) the Company is declared insolvent in accordance with law because it is unable to pay its debt as they fall due; or

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- (iv) the Company was ordered to be closed down by reason of its contravention of law or administrative regulations.

Where the Directors decide to liquidate the Company (for reasons other than a declaration of insolvency), the Directors shall, in the notice convening a shareholders' meeting for this purpose, include a statement to the effect that, after having made a full enquiry into the affairs of the Company, they are of the opinion that the Company will be able to pay its debts in full within 12 months from the date of commencement of the liquidation. Upon the passing of a resolution by the shareholders meeting to commence liquidation, the functions and powers of the Directors shall cease immediately.

In the event the Company shall be dissolved under (i) above, it shall set up within 15 days thereof a liquidation committee, the members of which shall be determined by an ordinary resolution passed in the shareholders' meeting. If the team has not been set up within the said period, its creditors may petition to the People's Court for the designation of the members of the liquidation committee so as to proceed with the liquidation thereof.

In the event the Company shall be dissolved under (ii) above, liquidation shall be proceeded by parties to the merger or demerger in accordance with the merger or demerger agreement.

In the event the Company shall be dissolved under (iii) above, the People's Court shall form a liquidation committee comprising of the shareholders, relevant authorities and relevant professionals in accordance with the laws to proceed with the liquidation thereof.

In the event the Company shall be dissolved under (iv) above, the relevant supervisory authorities shall form a liquidation committee comprising of the shareholders, relevant authorities and relevant professionals in accordance with the laws to proceed with the liquidation thereof.

The liquidation committee shall notify creditors within 10 days of its establishment and shall make at least three public announcements in newspapers within 60 days of its establishment. The liquidation committee shall carry out registration of creditors' rights.

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

The assets of the Company shall be distributed in the order required by laws and regulations. In case there is no applicable law the assets of the Company shall be distributed in accordance with the order regarded as just and reasonable by the liquidation committee.

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

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

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

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

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

### **19. Other provisions material to the Company or its shareholders**

#### *(a) General provisions and limited liability*

The Company is a joint stock limited company of perpetual duration and was established by way of promotion. It is an enterprise with independent legal status.

The capital of the Company is divided into shares of equal nominal value. The liability of a shareholder to the Company is limited by the amount payable on subscription of the shares held by him. The Company shall be liable for its debts up to the extent of all its assets.

The Company may invest in other limited liability companies and joint stock limited companies and accept liability in respect of such companies up to the amount of its investment in such companies. The Company shall not become a shareholder with unlimited liability of any other economic organisations. Subject to the approval of the companies supervisory authority authorised by the State Council, the Company may, in accordance with its business and operational requirements, operate as a holding company as provided under Article 12 of the PRC Company Law.

#### *(b) The Articles of Association*

The Articles of Association constitute a legal document regulating the constitution and activities of the Company the rights and obligations between the Company and its shareholders and the shareholders inter se. The Articles of Association are binding upon the Company and its shareholders, Directors, Supervisors, managers and other officers. Such persons may bring claims an matters relating to the Company in accordance with the Articles of Association.

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Shareholders may bring actions against the Company and vice versa, and shareholders may bring actions against other shareholders, Directors, Supervisors, managers and other officers of the Company in accordance with the Articles of Association. For these purposes, actions include proceedings commenced in court and arbitration proceedings commenced in arbitration tribunals.

*(c) Shares and registered capital*

The entire capital of the Company is divided into shares of equal nominal value.

The Company shall at all times have ordinary shares. The Company may, in accordance with its needs and upon obtaining approval of the companies supervisory authority authorised by the State Council, create other types of shares.

The Shares in issue and to be issued as mentioned in this prospectus are in the form of registered ordinary shares and each has a nominal value of RMB0.50.

The Company may issue shares to either or both of domestic investors and foreign investors upon obtaining approval the supervisory authorities accredited by the State Council.

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

The shares issued by the Company to domestic investors which are subscribed for in RMB are called “domestic shares”. The shares issued by the Company to foreign investors which are subscribed for in foreign currencies are called “foreign shares”. Foreign shares which are listed outside the PRC are called “overseas listed foreign shares” (and for the purpose of this prospectus, such overseas listed foreign shares are defined as “H Shares” in the “Definition” section of this prospectus).

The total number of issued ordinary shares of the Company under the Articles of Association as currently constituted and approved by CSRC shall upon completion of the International Placing, 145,714,286 overseas listed foreign Shares but no more than 167,571,429 Shares (assuming the Over-allotment is exercised in full), of which 340,000,000 Shares shall be Shares already in issue and issued to the promoters. The following methods may be used for increase in capital:

- (1) by offering new shares to general investors;
- (2) by placing new shares with existing shareholders;
- (3) by a bonus issue of shares to existing shareholders; or
- (4) by any other methods permitted under PRC law and administrative regulations.

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The Company may reduce its registered capital in accordance with the provisions of the Articles of Association. The registered capital of the Company after a capital reduction shall not be lower than the lowest limit prescribed by law. Where the Company reduces its registered capital, it shall prepare a balance sheet and inventory of assets. The Company shall notify its creditors within 10 days from the date of a shareholders' resolution to reduce its registered capital, and shall make a public announcement in newspapers at least three times within 30 days thereof. The creditors shall have the right, within 30 days of receipt of the notice or within 90 days of the date of the first public announcement if the notice has not been received, to require the Company to pay its debts or provide guarantee to the amount of its debts.

*(d) The board of Directors*

The Directors are accountable to the shareholders in shareholders meeting and shall have the following functions and powers:

- (i) to convene shareholders meetings and to report on their work at shareholders meetings;
- (ii) to implement resolutions passed at shareholders' meeting;
- (iii) to determine the Company's business plans and investment proposals;
- (iv) to prepare the Company's annual financial budget and final accounts;
- (v) to formulate proposals for profit distribution and for making up accrued losses of the Company;
- (vi) to formulate proposals for an increase or reduction of registered capital and the issue of debt securities of the Company;
- (vii) to formulate proposals for the demerger, merger or dissolution of the Company;
- (viii) to formulate the internal management structure of the Company;
- (ix) to appoint or dismiss the general manager of the Company and, at the recommendation of the general manager, to appoint and dismiss deputy general manager(s), financial controller and other officers of the Company and to determine their remuneration and method of payment, to appoint or remove directors and members of the supervisory committee of wholly-owned subsidiaries of the Company and to appoint, change or recommend representative for the shareholders, directors and supervisors of subsidiaries or associated companies of the Company;
- (x) to formulate the basic management regime of the Company;
- (xi) to prepare proposals for amendments to the Articles of Association;

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- (xii) to formulate proposals for major acquisitions or disposals of the assets of the Company;
- (xiii) subject to compliance with the requirements of the relevant laws, regulations, the Articles of Association, to exercise the Company's power to raise capital, borrow money, and make decisions on the charging, letting, sub-contracting or transfer of the Company's major assets; and
- (xiv) other powers conferred by shareholders' meeting or the Articles of Association.

A majority of at least two-thirds or more of the Directors shall be required for the passing of any resolution in respect of items (vi), (vii) and (xi) above. A majority of one half of the Directors shall be required for the passing of any resolutions in respect of the other matters specified above.

A meeting of the Directors shall only be held if more than one half of the Directors are present. Each Director shall have one vote. In the case of an equality of votes, the chairman shall have an additional vote.

Directors meetings shall be held at least twice every year and shall be convened by the chairman, provided that when an urgent matter arises, extraordinary meetings of the Directors may be convened upon the requisition of one third or more of the Directors jointly or upon the proposal of the general manager on the Supervisory Committee.

*(e) Secretary of the Board*

Secretary of the Board shall be appointed and may be dismissed by the Board. The secretary of the Board shall be a natural person who, in the opinion of the Board, has the requisite professional knowledge and experience.

The primary responsibilities of the secretary of the Board are:

- (i) to ensure that the documentation and records of the Company are complete;
- (ii) to ensure that the Company prepares and submits all reports and documents to the relevant authorities as required under the applicable laws;
- (iii) to ensure that the Company's register of shareholders is properly established and that persons entitled to the relevant records and documents of the Company are promptly furnished with the same;
- (iv) to be responsible for the disclosure of information by the Company and to ensure the timely, correct, legal, true and complete information disclosure by the Company; and
- (v) other responsibilities stipulated under the Articles of Association or required by the listing rules of the stock exchange on which the Company's shares are listed.

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## APPENDIX VII SUMMARY OF THE ARTICLES OF ASSOCIATION

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General manager (excluding deputy manager) and chief financial officers shall not concurrently act as secretary to the Directors. Director or other senior management officers may concurrently act as secretary to the Directors. An accountant of an accountants' firm related as auditor by the Company shall not concurrently act as secretary to the Directors.

*(f) General manager*

The Company shall have one general manager and several deputy general managers, who should be appointed and dismissed by the Board. The general manager shall be accountable to the Directors and shall have the following functions and powers:

- to be in charge of the Company's operation and management and to organize the implementation of the resolutions of the Board;
- to organize the implementation of the Company's annual business plan and investment plan;
- to draft plans for the establishment of the internal organizational structure of the Company;
- to draft the Company's basic management system;
- to formulate basic rules and regulations for the Company;
- to propose the appointment or dismissal of the deputy general managers and chief financial officer;
- appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board; and
- to exercise other powers conferred by the Articles of Association and the Board.

*(g) Supervisory committee*

The Company shall have a supervisory committee which is responsible for the supervision of the Board, the Director(s), the general manager, the deputy manager(s) and other officers of the Company to prevent them from abusing their positions and powers and infringing the interests of the shareholders the Company and the employees.

The supervisory committee shall consist of 3 Supervisors, two of whom shall be representatives of the shareholders, one of whom shall be a representative of the employees. The representatives of the shareholders should not assume any office nor hold any interest in the Company. The representative of employees shall be elected and removed by the employees of the Company democratically and the representatives of the shareholders shall be elected and removed by the shareholders in shareholders meeting. Supervisors shall be appointed for a term of three years from the date(s) of their elections and may be re-elected to serve consecutive terms. The chairman of the supervisory committee shall be appointed and removed by two-thirds or more of the Supervisors.



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## APPENDIX VII SUMMARY OF THE ARTICLES OF ASSOCIATION

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None of the Directors, general managers, deputy managers or chief financial officer of the Company shall undertake concurrently the duties of supervisors.

The supervisory committee shall exercise the following functions and powers in accordance with law:

- (i) to check the Company's financial affairs;
- (ii) to monitor whether the Directors, managers and other officers have, in the performance of their duties, acted in contravention of any law, administrative regulations, the Articles of Association or the resolutions passed at shareholders' meetings;
- (iii) if the conduct of a Director, manager or other officers is detrimental to the interests of the Company, to require him to rectify such conduct;
- (iv) to review the Company's financial information such as the financial reports, business reports and profit distribution plans which the Directors propose to submit to the shareholders' meeting, and in case of doubt, to appoint on behalf of the Company registered accountants or practising auditors to assist in the review;
- (v) to propose the convening of extraordinary shareholders' meetings;
- (vi) to represent the Company in negotiation with the Directors or to institute proceedings against the Directors; and
- (vii) other functions and powers stipulated in the Articles of Association. Supervisors shall attend Board meetings.

Decisions of the supervisory committee shall be made by the affirmative vote of two thirds or more of the Supervisors.

*(h) Obligations of Directors, Supervisors, general manager, deputy manager(s) and senior management officers of the Company*

Each Director, Supervisor, general manager, deputy manager(s) and other senior management officers is under a duty, in the exercise of his powers and the discharge of his obligations, to exercise such care, diligence and skill that reasonable and prudent person would exercise in similar circumstances.

In addition to the obligations imposed by laws, administrative regulations or the rules of the stock exchange(s) which shares of the Company are listed and the duty of confidential and fiduciary obligations, each Director, Supervisor, general manager, deputy manager and other senior management officers, when exercising the functions powers conferred upon him by the Company, owes to each of the shareholders the following obligations:

- (i) not to cause the Company to exceed the scope of operations stipulated in its business licence;

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## APPENDIX VII SUMMARY OF THE ARTICLES OF ASSOCIATION

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- (ii) to act in what he considers to be in the best interests of the Company;
- (iii) not to expropriate in tiny manner the Company's assets, including (but not limited to) opportunities beneficial to the Company; and
- (iv) not to expropriate personal rights of shareholders, including (but not limited to) rights to distribution and voting rights, but not including a proposed restructuring of the Company submitted to and approved by the shareholders' meeting in accordance with the Articles of Association.

Each Director, Supervisor, general manager, deputy manager and other senior management officers has, in the performance of his duties, the duty to observe the principles of good faith and the duty not to place himself in a position where his duties and his interests may conflict. This includes (but is not limited to) the duty:

- (i) to act honestly in the best interests of the Company;
- (ii) to exercise his powers within the scope of his authority and not act in excess of his powers;
- (iii) to exercise the discretion vested in him personally and not to allow himself to act under the manipulation another person and, except where permitted by law or administrative regulations, or with the informed consent of shareholders in shareholders' meeting, not to delegate the exercise of such discretion to another person;
- (iv) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (v) not to enter into any contract, transaction or arrangement with the Company, except in accordance with the Articles of Association or with the informed consent of shareholders in shareholders' meeting;
- (vi) not to use the Company's assets for his own benefit in any manner without the informed shareholders in shareholders meeting;
- (vii) not to abuse his position by accepting bribes or other unlawful income and not to exappropriate any manner the Company's assets including (without limitation) opportunities beneficial to the Company;
- (viii) not to accept any commission in connection with any transaction in which the Company is involved without the informed consent of shareholders in shareholders' meeting;
- (ix) to comply with the Articles of Association, to carry out his duties honestly, to safeguard the Company's interests, not to make use of his position and rights arising therefrom for his own benefit;

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## APPENDIX VII SUMMARY OF THE ARTICLES OF ASSOCIATION

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- (x) not to compete with the Company in any manner without the informed consent of shareholders' shareholders' meeting;
- (xi) not to expropriate the fund of the Company or lend the fund to others, not to open bank accounts for the Company's assets in his own name or in the name of others, not to use the Company's assets to guarantee personal loans of the Company's shareholders or others; and
- (xii) not to disclose confidential information relating to the Company obtained during the term of office without the informed consent obtained in the shareholders' meeting, not to make use of the said information unless such use is for the interest of the Company. However, disclosure of the said information to the courts or other governmental and administrative bodies shall be allowed in the following circumstances:
  - (1) as required by law;
  - (2) as required by the public interests;
  - (3) as required by the self-interests of Directors, Supervisors, general manager, deputy managers and other senior management officers.

A Director, Supervisor, general manager, deputy manager or other senior management Officers shall not direct persons connected with them (as described in section l(f) above) to do what the Director, Supervisor general manager, deputy manager or other senior management officers himself is prohibited from doing.

*(i) Shareholders obligations*

A Shareholder of the Company is a person who lawfully holds shares of the Company and whose name is entered in the register of shareholders.

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

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## APPENDIX VII SUMMARY OF THE ARTICLES OF ASSOCIATION

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In addition to their right to obtain relevant information in accordance with the Articles of Association as mentioned in paragraph 15 above, shareholder of ordinary shares of the Company shall enjoy the following rights:

- (i) to receive dividends and other distributions in proportion to the number of shares held by him;
- (ii) to attend and vote or appoint proxies to attend and vote on his behalf at shareholders' meetings;
- (iii) to supervise and to put forward proposals or to make enquiries relating to the business operation of the Company;
- (iv) to transfer his shares in accordance with the applicable laws, administrative regulations and the Articles of Association;
- (v) to receive information regarding the Company in accordance with the Articles of Association;
- (vi) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company according to the proportion of shares held by him; and
- (vii) other rights conferred by relevant laws and administrative regulations, and the Articles of Association.

A holder of ordinary shares of the Company shall have the following obligations:

- (i) to abide by the Articles of Association;
- (ii) to pay subscription monies according to the number of shares subscribed and the method of subscription; and
- (iii) other obligations imposed by law, administrative regulations and the Articles of Association.

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

The register of shareholders shall be sufficient evidence of the holding of the shares of the Company by the shareholders, unless there is other evidence to the contrary. Alteration or rectification of each part of the register of shareholders shall be made in accordance with the law of the place where that part of the register of shareholders is deposited. Any person who has any objection in relation to the register of shareholders and seeks to register his name on the register of shareholders or to delete his name from the register of shareholders may in each case apply to a court of competent jurisdiction to rectify the register of Shareholders.

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The Company shall not be bound to register more than four persons as the joint holders of any Share.

On the death of any one of such joint holders, the survivor(s) shall be the only person or persons recognised by the Company as having any title to any such Shares but the Directors may require such evidence of death as they may deem fit.

Only the person whose name stands first in the register of shareholders as one of the joint holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company or to attend or vote at shareholders meetings of the Company, and any notice given to such person shall constitute notice to all the other joint holders.

The share certificates shall become valid after being sealed with the Company's chop. The sealing of the Company's chop on the share certificates or the Company's securities shall be authorized by the Board of Directors.

Any shareholder who has lost his share certificate (the "original certificate") may apply to the Company for a new certificate in respect of the shares (the "relevant shares") represented by the original certificate. The Articles of Association contain provisions prescribing the procedures for the application for replacement certificate in respect of holders of Domestic Shares and H Shares. In respect of holders of H Shares, an applicant is required to submit an application in the prescribed form accompanied by a notarial certificate or a statutory declaration. Where the Company is satisfied that it has not received any objection to the issue of the replacement share certificate having regard to the requirements set out in the Articles of Association, the Company will issue a new share certificate and cancel the original certificate. All expenses of the Company relating to the cancellation of an original certificate and the issue of a new share certificate shall be borne by the applicant. The Company is entitled to refuse to take any action before reasonable security is provided by the applicant in respect of those expenses.

Subsequent to issuance of a new replacement share certificate by the Company in accordance with the above provisions, the name of the bona fide purchaser who shall thereby obtain the new share certificate or a person whose name is subsequently entered into the register of shareholders in respect of the relevant shares (if a bona fide purchaser) shall not be removed from the register of shareholders. The Company shall not be liable for any damages suffered by any person by reason of the cancellation of the original certificate or the issue of the new share certificate unless the parties concerned succeed to prove that the Company has acted fraudulently.

*(j) Resolution of disputes*

Whenever any dispute or claim arises from any rights or obligations provided in the Articles of Association, the PRC Company Law and other relevant laws and administrative regulations concerning the affairs of the Company between the following parties:

- (i) a holder of H Shares and the Company;

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## APPENDIX VII SUMMARY OF THE ARTICLES OF ASSOCIATION

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(ii) a holder of H Shares and the Directors, Supervisors, general manager, deputy manager or other senior management officers of the Company; and

(iii) a holder of H Shares and a holder of Domestic Shares.

then, unless otherwise specified in the Articles of Association, such parties shall submit that dispute or claim to arbitration before either (1) CIETAC in accordance with its rules or (2) the HKIAC in accordance with its securities arbitration rules.

Once the claimant refers a dispute or claim to arbitration, the other party or parties must submit to the arbitral body selected by the claimant. If the claimant selects to arbitrate at the HKIAC, then any party to the dispute shall be entitled to request, in accordance with the requirements of the securities arbitration rules of the HKIAC, for that arbitration to be conducted in Shenzhen, the PRC.

If arbitration is sought to resolve a dispute or claim as described above, the applicable law shall be the PRC law, unless otherwise prescribed by law and administration regulations. Such arbitration shall be final and conclusive and shall be binding on all parties to the dispute.

In respect of a dispute or claim referred to above, the entire claim or dispute must be referred to arbitration and all persons (being the Company or the shareholders, Directors, Supervisors, managers or other officers of the Company) who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of that dispute or claim shall be subject to the arbitral awards rendered by CIETAC or HKIAC.

Disputes in connection with the determination of whether a person is or is not a shareholder or of the register of shareholders need not be resolved by arbitration.