

**ARTICLES OF ASSOCIATION**

**OF**

**Zhejiang RuiYuan Intelligent Control Technology Company Limited**

**浙江瑞远智控科技股份有限公司**

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**Zhejiang RuiYuan Intelligent Control Technology Company Limited**  
**浙江瑞远智控科技股份有限公司**

These Articles were passed by the Company at the fourth extraordinary general meeting of 2003 held on 22 October 2003 and amended by the Company at the extraordinary general meeting on 9 October 2012 and the extraordinary general meeting dated 13 December 2016.

**Chapter 1 General Provisions**

Article 1

Zhejiang Ruiyuan Intelligent Control Company Limited (hereinafter the “Company”) is a joint stock limited company incorporated in accordance with the Company Law of the People’s Republic of China (hereinafter the “Company Law”), Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (hereinafter the “Special Regulations”) and other relevant laws and administrative regulations of the People’s Republic of China (hereinafter “China” or the “State”).

Following approval by the People’s Government of Ningbo Municipality of Zhejiang Province (Yong Zheng Fa No. [2002]82), the Company was incorporated by way of promotion, and registered with the Ningbo Administration for Industry and Commerce on 18 September 2002, and obtained an Enterprise Legal Person Business Licence 3302001005016.

The promoters of the Company are: China Ruilian Holding Corp. (中國瑞聯實業集團有限公司) and four natural persons, namely Wang Ya Qun (王亞群), Shi Jian Er (施建兒), Wei Hong Jun (魏紅軍) and Chen Zheng Tu (陳正土).

Article 2

The registered Chinese name of the Company is 浙江瑞遠智控科技股份有限公司.

The registered English name of the Company is Zhejiang RuiYuan Intelligent Control Technology Company Limited.

Article 3

The address of the Company is at No. 3, Laiyan Road West, Economic Development Zone (South Side), Yuyao City.

Telephone number: 0574-62730099

Fax number: 0574-62730099

Postal code: 315400

#### Article 4

The legal representative of the Company is the Chairman of the Company.

#### Article 5

The Company is a joint stock limited company of perpetual existence.

#### Article 6

The Articles of Association of the Company was considered and passed at the fourth Extraordinary General Meeting convened on 22 October 2003 in accordance with the Company Law, Special Regulations, the Articles of Association of Companies Seeking Overseas Listing Prerequisite Clauses and other laws and administrative regulations of the State.

These Articles are effective from the date they were considered and passed at the above-mentioned general meeting, and the original articles of association of the Company were replaced by these Articles on the effective date.

These Articles constitute a legally binding document regulating the Company's organization and actions and the rights and obligations between the Company and its shareholders and amongst its shareholders as from its effective date.

#### Article 7

The Articles of Association are binding on the Company and its shareholders, directors, supervisors, general manager, chief financial officer and other officers. The aforementioned officers may in accordance with the Articles make a claim to their rights concerning affairs of the Company.

In accordance with the Articles, shareholders may bring actions against the Company and vice versa, and a shareholder may bring actions against another shareholder; and shareholders may also bring actions against the directors, supervisors, general manager, chief financial officer and other officers of the Company in accordance with the Articles of Association.

Reference to actions in the preceding provision includes court proceedings and arbitration applications submitted to arbitration authorities.

#### Article 8

The Company may invest in other companies with limited liability and joint stock limited companies, and shall be liable to the investee companies to the extent of its capital contribution.

Upon sanction of approval authorities delegated by the State Council, the Company may operate as a holding company as referred to in Clause 2, Article 12 of the Company Law pursuant to the needs of its business and management.

#### Article 9

Subject to compliance with the laws and administrative regulations of the PRC, the Company may raise capital by the way of, including but not limited to, borrowings, the issue of bonds, the mortgage or pledge of all or part of the Company's interests, and may under all circumstances provide various forms of guarantees in respect of liabilities of any third parties, including but not limited to the subsidiaries and associated companies of the Company.

## **Chapter 2 Business objects and scope**

#### Article 10

The business objects of the Company are to establish a foothold in Ningbo; to introduce investment from abroad and establish lateral ties domestically; to serve the community, as well as to intensify cooperation; enhance product quality; to enhance its competitiveness in the international market in terms of quality and price; enhance economic efficiencies and to achieve satisfactory economic benefits for all investors.

#### Article 11

The scope of the Company's operations should be subject to the items approved by the company registration authority.

The scope of operation includes manufacture and processing of electronic components, apparatus and meters, daily electrical appliances, household electrical appliances, communication terminal devices and computer peripheral equipments; wholesales and retail of non-ferrous metal materials, chemical materials (except dangerous chemical items), plastic materials and carbon black materials; research and development of safety monitoring systems and new materials; software development of and consultancy on electronic and communication products; development and operation of real estates; investment on business projects; self-supported or agency of import and export of commodities and technologies (except commodities and technologies whose operations are restricted or whose import and export are prohibited by the State); and research & development, manufacture and sales of intelligent robots, numerical control systems, intelligent control equipments, intelligent control systems and automatic numerical control equipments.

Upon resolution at a general meeting and approval from relevant governmental authorities, the Company may legally change its scope of business according to demands in domestic and international markets and its own development capabilities and business needs.

## **Chapter 3 Shares and registered capital**

### Article 12

The Company shall at all times maintain ordinary shares, and the Company may create other classes of shares according to its needs upon sanction from approval authorities delegated by the State Council.

### Article 13

Certificates are issued with a par value of RMB0.1 per share by the Company.

Reference to RMB above means the lawful currency of the People's Republic of China.

Shares issued by the Company to domestic investors for subscription in Renminbi are referred to as "Domestic Shares". Shares issued by the Company to foreign investors for subscription in foreign currencies are referred to as "Foreign-Invested Shares". Foreign-Invested Shares which are listed overseas are called herein "Overseas-Listed Foreign-Invested Shares".

Overseas-Listed Foreign-Invested Shares issued by the Company and listed on the Growth Enterprise Market of Hong Kong shall be called "GEM H Shares". GEM H Shares are shares which have been admitted for listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "SEHK"), the par value of which is denominated in Renminbi and are subscribed for and traded in Hong Kong Dollars.

Shareholders of different classes of the Company rank pari passu over the rights to dividends or other forms of distribution.

### Article 14

Subject to the consent of company approval authority delegated by the State Council, the Company may issue a total of 500,000,000 ordinary shares. At the time of establishment, the Company issued 370,000,000 ordinary Domestic Shares to the promoters, representing approximately 74% of the total issuable ordinary shares of the Company.

### Article 15

The authorised share capital of the Company: the total ordinary shares of the Company is 500,000,000 Shares, comprising (i) 370,000,000 Domestic Shares, representing approximately 74% of the entire share capital of the Company, of which Zhejiang Ruiyuan Intelligent Robot Company Limited holds 322,675,000 Domestic Shares, representing 64.535% of the entire ordinary share capital of the Company and Qi Yong Qiang holds 47,325,000 Domestic Shares, representing 9.465% of the entire ordinary share capital of the Company; and (ii) 130,000,000 H Shares, representing approximately 26% of the entire share capital of the Company, which are listed on GEM.

#### Article 16

Subject to the approval of competent securities authorities of the State Council on the Company's issuance plan, the Board of the Company may arrange for the separate issuance of Overseas-Listed Foreign-Invested Shares and Domestic Shares.

The Company's plan to separately issue Overseas-Listed Foreign-Invested Shares and Domestic Shares according to the aforementioned provision may be implemented within 15 months after the date of approval by the competent securities authorities of the State Council.

#### Article 17

Where the Company issues Overseas-Listed Foreign-Invested Shares and Domestic Shares separately within the total shares specified in its issuance plan, the share issue should be implemented as an one-time offer respectively, and in exceptional circumstances where the share issue cannot be completed as an one-time offer, upon the approval of competent securities authorities of the State Council, the share issue may also be conducted in tranches.

#### Article 18

The registered capital of the Company is RMB500,000,000. In the event that the over-allotment options are exercised or new shares are issued, the registered capital of the Company shall be adjusted accordingly, and filed to the company approval authorities delegated by the State Council and securities regulatory authorities.

#### Article 19

The Company may increase its capital in accordance with the relevant provisions in the Articles of Association in line with its business and development requirements.

The Company may increase its capital in the following ways:

- (i) offering new shares to non-specified investors for subscription;
- (ii) placing new shares to its existing shareholders;
- (iii) allotting bonus shares to its existing shareholders;
- (iv) any other manners permitted by laws and administrative regulations.

After being approved under the provisions of the Articles of Association, the Company may issue new shares, to increase its capital in accordance with the procedures stipulated by the relevant laws and administrative regulations of the State.

#### Article 20

Unless otherwise provided in any laws or administrative regulations, shares of the Company shall be freely transferable and shall not be subject to any lien. Domestic Shares and Overseas-Listed Foreign-Invested Shares of the Company shall be traded, granted,

inherited and charged in accordance with the laws of the PRC and the provisions of these Articles. The transfer and transmission of the shares of the Company shall be conducted in accordance with the relevant provisions.

Where the Company sends dividend warrants to its shareholders by post, the Company may exercise its rights to cease sending dividend warrants by post if such warrants have been left uncashed for two consecutive occasions, or after the first occasion on which such warrant is returned undelivered.

The Company may sell any shares of a shareholder who is untraceable and retain any proceeds therefrom in the following circumstances:

- (i) during a period of twelve years, at least three dividends have been paid in respect of the shares in question and during such period no dividend has been claimed by the shareholder; and
- (ii) upon the expiry of the twelve year period, the Company has obtained approval from competent securities authority of the State Council and announces its intention to sell such shares and has notified such authority and relevant overseas securities regulatory authorities.

## **Chapter 4 Reduction of capital and repurchase of shares**

### Article 21

The Company may reduce its registered capital in accordance with the provisions of the Articles of Association.

### Article 22

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within 10 days after the date of resolution of reduction of registered capital, and shall cause an announcement to be published in a newspaper within 30 days following the date of such resolution on at least three occasions. The creditors are entitled to request the Company to repay its debts or provide corresponding repayment guarantee within 30 days from the date of receiving the notice, or in the case of such notice not being received, within 90 days from the date of the first announcement.

The Company's registered capital after reduction shall not be less than the statutory minimum amount.

### Article 23

The Company may, in accordance with the procedures provided in the Articles of Association and subject to the consent of the relevant competent authority of the State, resolve to repurchase its outstanding shares in the following circumstances:

- (i) cancellation of its shares for the purpose of reducing its capital;
- (ii) to merge with other companies holding shares in the Company;
- (iii) in other circumstances permitted by the laws and administrative regulations.

The Company shall repurchase its outstanding shares in accordance with the provisions of Articles 24 to 27.

#### Article 24

The Company may, upon the approval of the relevant competent authority of the State, repurchase its shares only by one of the following means:

- (i) making a repurchase offer on pro rata to all its shareholders;
- (ii) repurchase by public trading on a stock exchange;
- (iii) repurchase by an off-market agreement outside a stock exchange.

#### Article 25

Where the Company repurchases shares by agreement outside a stock exchange, it shall obtain prior sanction at a general meeting in accordance with the provisions of the Articles of Association. With unanimous prior sanction at a general meeting, the Company may discharge or alter contracts entered into by the aforementioned means, or may waive any of its rights under the contract.

A contract to repurchase shares referred to in the preceding provision includes (but not limited to) commitments to repurchase shares and agreements to acquire the rights to repurchase shares.

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

#### Article 26

After a repurchase of its shares, the Company shall cancel such shares within the period prescribed by the laws and administrative regulations and file a change in registered capital to its initial registration authority and make an announcement accordingly.

The par value of the cancelled shares shall be deducted from the registered capital of the Company.

#### Article 27

Unless the Company is in the course of liquidation, it shall comply with the following provisions in relation to the repurchase of its outstanding shares:



- (i) where the Company repurchases its shares at par value, payment shall be made out of the credit standing to the distributable profits of the Company and/or out of the proceeds from any new issue made for the purpose of the repurchase;
- (ii) where the Company repurchases its shares at a premium, payment up to their par value may be made out of the credit standing to the distributable profits of the Company and/or the proceeds from any new issue made for the purpose of the repurchase. Payment of the portion in excess of the par value shall be effected as follows:
  - (1) if the shares being repurchased have been issued at par value, payment shall be made out of the credit standing to the distributable profits of the Company;
  - (2) if the shares being repurchased have been issued at a premium, payment shall be made out of the credit standing to the distributable profits of the Company and/or the proceeds from any new issue made for the purpose of the repurchase, provided that the amount paid out of such proceeds shall neither exceed the aggregate of the premiums received by the Company when the shares being repurchased were issued nor the current amount of the capital reserve fund of the Company (including premiums on the new issues) at the time of the repurchase. Where shares are repurchased by means of an off-market transaction or by tender, the repurchase price shall not exceed a particular maximum price.
- (iii) payment by the Company for the following purposes shall be made out of the Company's distributable profits:
  - (1) acquisition of rights to repurchase its shares;
  - (2) amendment of any contract to repurchase its shares;
  - (3) discharge of its obligations under a contract to repurchase shares.
- (iv) After the aggregate par value of the cancelled shares being reduced from the Company's registered capital in accordance with the relevant regulations, the amount deducted from the distributable profits for paying up the par value portion of the repurchased shares shall be transferred to the Company's capital reserve fund account.

## **Chapter 5 Financial assistance to purchase shares in the Company**

### Article 28

The Company or any of its subsidiaries shall not at any time or in any manner provide financial assistance to a person who acquires or is proposing to acquire shares in the Company. Such person mentioned above includes any person who has directly or

indirectly incurred a liability as a result of the acquisition of the shares in the Company.

The Company or any of its subsidiaries shall not at any time or in any manner provide financial assistance to such person mentioned in the preceding paragraph for the purposes of reducing or discharging their liabilities.

This provision does not apply to the circumstances mentioned in Article 30.

#### Article 29

Financial assistance referred to in this Chapter includes but not limited to the following:

- (i) assistance given by way of gift;
- (ii) assistance given by way of guarantee (including the provision of any undertaking or property to secure the performance of obligations by the obligor) or indemnity, (other than an indemnity in respect of the Company's own default) or by way of release or waiver;
- (iii) assistance given by way of a loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party to the agreement or by way of novation or assignment of the rights arising under such loan;
- (iv) assistance given by the Company in any other manner when the Company is insolvent or has no net assets or where its net assets would thereby be reduced materially.

Incurring a liability referred to in this Chapter includes an obligation that changes one's financial position by entering into an agreement or arrangement (whether enforceable or not, and whether made on one's own account or with any other person) or by any other means.

#### Article 30

The following transactions are not prohibited under Article 28:

- (i) the provision of financial assistance where the Company's bona fide purpose for giving that assistance is mainly for the Company's interest and not for the purpose of acquiring the Company's shares, or where the financial assistance is an incidental part of some broader purpose of the Company;
- (ii) a distribution of the Company's assets by way of dividends in accordance with the law;
- (iii) a distribution of dividends by way of bonus shares;
- (iv) a reduction of registered capital, repurchase of shares of the Company or a

reorganisation of its shareholding structure effected in compliance with the Articles of Association;

- (v) the provision of loans by the Company in the ordinary course of its business within its scope, provided that the Company's net assets are not thereby reduced or, if those assets are reduced, the assistance is provided out of distributable profits of the Company;
- (vi) the provision of funds by the Company as contributions to employees' share schemes, provided that the Company's net assets are not thereby reduced or, if those assets are reduced, the assistance is provided out of distributable profits of the Company.

## **Chapter 6 Share certificates and register of shareholders**

### Article 31

Share certificates of the Company shall be in registered form.

Share certificates of the Company may be assigned, granted, inherited and charged in accordance with the relevant laws, administrative regulations and provisions of these Articles.

Other than those prescribed under the Company Law and Overseas-Listed Special Regulations, share certificates of the Company shall also include other particulars required by the stock exchange on which shares of the Company are listed.

### Article 32

Share certificates of the Company shall be signed by the Chairman. Where the stock exchange on which the Company's shares are listed requires the share certificates to be signed by other senior management officers of the Company, the share certificates shall also be signed by such senior management officers. The share certificates shall take effect after being affixed with the Company's seal or the Company's securities seal or a machine-imprinted seal of the Company. The share certificates shall only be affixed with the Company's seal under the authorisation of the board of directors.

The signatures of the Chairman or other senior management officers of the Company on the share certificates may be printed in mechanical forms.

### Article 33

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

- (i) the name, address (residence) and occupation or nature of each shareholder;
- (ii) the class and number of shares held by each shareholder;
- (iii) the amount paid up or payable on the shares held by each shareholder;

- (iv) the share certificate numbers of the shares held by each shareholder;
- (v) the date on which each shareholder was registered as a shareholder;
- (vi) the date on which any shareholder ceases to be a shareholder.

Unless there is evidence to the contrary, the register of shareholders is sufficient evidence of shareholdings in the Company.

#### Article 34

The Company may, in accordance with the understanding or agreements between the competent securities authority of the State Council and the overseas securities regulatory authority, maintain its register of shareholders of Overseas-Listed Foreign-Invested Shares overseas and appoint overseas agent(s) to manage such share register. The original share register of holders of GEM H Shares shall be maintained in Hong Kong.

Duplicates of the share register of holders of Overseas-Listed Foreign-Invested Shares shall be maintained at the Company's domicile. The appointed overseas agent(s) shall ensure consistency between the original and the duplicate registers of holders of Overseas-Listed Foreign-Invested Shares at all times.

If there is any inconsistency between the original and the duplicate registers of holders of Overseas-Listed Foreign-Invested Shares, the original register shall prevail.

#### Article 35

The Company shall keep a complete register of shareholders.

The register of shareholders shall comprise of the following parts:

- (i) register(s) of shareholders other than those specified in items (ii) and (iii) below kept at the domicile of the Company;
- (ii) register(s) of holders of the Company's Overseas-Listed Foreign-Invested Shares kept at the place where the stock exchange on which such shares are listed is located;
- (iii) register(s) of shareholders kept at other places as the board of directors consider necessary for the purpose of listing of the shares of the Company.

#### Article 36

Different parts of the register of shareholders shall not overlap. No transfer of shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

The alteration or rectification of any part of the register of shareholders shall be carried out in accordance with the laws of the place where such part of the register is

maintained.

#### Article 37

All transfers of Overseas-Listed Foreign-Invested Shares shall be effected by transfer in writing in the usual or common form (including but not limited to standard transfer form issued by The Stock Exchange of Hong Kong Limited) or in such other form as the Board may accept; the instrument of transfer may only be signed on hand or affixed with the valid corporate seal (in case the transferor or the transferee is a company). If the transferor or the transferee is a recognised clearing house under the relevant laws and regulations of the place where shares of the Company are listed (hereinafter “Recognised Clearing House”) or its nominee(s), the transfer instrument may be executed by machine imprinted signature.

All fully paid-up Foreign-Invested Shares listed in Hong Kong can be freely transferred in accordance with the Articles of Association (other than any restricted circumstances permitted by the SEHK), provided, however, that the board of directors may refuse to recognise any instrument of transfer without giving any reason, unless the following conditions are satisfied:

- (i) a fee (for each instrument of transfer) of HK\$2.50 or any higher fee as required by the board of director from time to time but not exceeding an amount as allowed under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the SEHK has been paid to the Company for the registration of any transfer instrument or any other documents in regards to or which will affect the title of the shares;
- (ii) the instrument of transfer only involves Foreign-Invested Shares listed in Hong Kong;
- (iii) the stamp duty chargeable on the instrument of transfer has been paid;
- (iv) the relevant share certificates and any evidence as the board of directors may reasonably request to show the right of the transferor to transfer the shares by have been submitted;
- (v) if it is intended to transfer the shares to joint holders, the maximum number of joint holders shall not exceed 4;
- (vi) the shares concerned are free of any lien in favour of the Company.

If the Company refuses to register a transfer of shares, the Company shall, within 2 months following the date of the formal application for the transfer, provide the transferor and the transferee with a written notice of refusal to register such transfer.

#### Article 38

No changes to the register of shareholders by reason of a transfer of shares may be made within 30 days prior to the convening of a general meeting or 5 days prior to the record date in regards of a distribution of dividends as determined by the Company. The

foregoing provisions shall be applicable to holders of GEM H Shares.

#### Article 39

When the Company convenes a general meeting, distributes dividends, is wound up or carries out other activities which require the determination of shareholdings, the board of directors or the convener of the general meeting shall fix a record date for the purpose of determining the shareholdings. A person who is registered in the register as shareholders of the Company after the closing of trading on the record date shall be a shareholder of the Company.

#### Article 40

Any person who objects to the entry made in the register of shareholders and requests for his/its name to be registered in, or deleted from, may apply to the competent court for amendment of the register.

#### Article 41

Any person who is a registered shareholder or who requests for his/its name to be entered into the register of shareholders may, if his/its share certificate (the “original certificate”) in respect of shares in the Company is lost, apply to the Company for a replacement new share certificate in respect of such shares (the “Relevant Shares”).

If a holder of Domestic Shares loses his share certificate and applies for a replacement certificate, it shall be carried out in accordance with Article 143 of the Company Law.

If a holder of Overseas-Listed Foreign-Invested Shares loses his share certificate and applies for a replacement certificate, it may be carried out in accordance with the laws, the rules of the stock exchange and other relevant regulations of the place where the original register of holders of Overseas-Listed Foreign-Invested Shares is maintained.

If a holder of GEM H Shares loses his share certificate and applies for a replacement certificate, the issue of such replacement certificate shall comply with the following requirements:

- (i) The applicant shall submit an application to the Company in a standard form prescribed by the Company accompanied with a notarial certificate or a statutory declaration, therein stating the grounds upon which the application is made and the circumstances and evidence of the loss of the original certificate and a declaration that no other person is entitled to request to be registered as a shareholder in respect of the Relevant Shares.
- (ii) Before the Company decides to issue a replacement new certificate, no statement made by any person other than the applicant requesting to be registered as a shareholder in respect of the Relevant Shares has been received.
- (iii) The Company shall, if it decides to issue a replacement new certificate to the applicant, make an announcement of such intention at least once every

30 days for a period of 90 days in such newspapers as may be prescribed by the board of directors.

- (iv) The Company shall, prior to the publication of the announcement regarding the issuance of a replacement certificate, have submitted to the stock exchange on which its shares are listed a copy of the announcement to be published. The announcement may be published upon receipt of reply from such stock exchange confirming the publication of such announcement at the stock exchange, and shall be exhibited at the stock exchange for a period of 90 days.

Where an application to issue a replacement certificate has been made by a person who is not the registered holder of the relevant shares, without the consent of the registered holder of the Relevant Shares, the Company shall deliver a copy of the announcement to be published by post to such registered shareholder.

- (v) If, by the expiration of the 90-day period referred to in (iii) and (iv) above, the Company shall have received no notice of any disagreement to such replacement from any person, the Company may issue a replacement certificate to the applicant accordingly.
- (vi) Where the Company issues a replacement certificate under this Article, it shall forthwith cancel the original certificate and record the cancellation and replacement in the register of the shareholders accordingly.
- (vii) All expenses relating to the cancellation of an original certificate and the issue of a replacement certificate by the Company shall be borne by the applicant. The Company is entitled to refuse to take any action until reasonable guarantee for the payment of such expenses is provided by the applicant.

#### Article 42

After the issuance of a replacement certificate by the Company in accordance with the Articles of Association, if there should be bona fide purchasers of the aforementioned new certificates or shareholders (being bona fide purchasers) subsequently registered as the title owner of such shares, their names shall not be deleted from the register.

#### Article 43

The Company shall not be obliged to provide damages to any person in respect of any loss incurred from the cancellation of the original certificate or the issuance of the replacement certificate, unless such person can prove any fraudulent actions on the part of the Company.

### **Chapter 7 Rights and obligations of shareholders**

#### Article 44

Shareholders of the Company are those legally holding shares in the Company and

whose names are registered in the register of shareholders.

Shareholders are entitled to the rights to, and assume the liabilities of, the shares according to the class and number of shares held; shareholders holding the same class of shares shall be entitled to the same rights and shall assume the same liabilities.

Where the shares are held by joint holders, in the event where one of the joint holders deceases, the surviving holders amongst which shall be the only persons recognised by the Company as having any title to the interest in the Relevant Shares. In respect of joint holders of any share, the joint holder first-named in the register shall be the only person entitled to the share certificates and to receive notice of, and attend general meetings of the Company and exercise their voting right thereat, and notice so given shall be sufficient notice to all the joint holders.

#### Article 45

The ordinary shareholders of the Company shall enjoy the following rights:

- (i) the right to dividends and other forms of distributions in proportion to the number of shares held by him;
- (ii) the right to attend or appoint a proxy to attend general meetings and to vote thereat;
- (iii) the right to supervise the Company's business operations, and the right to present proposals and inquiries;
- (iv) the right to transfer shares in accordance with the laws, administrative regulations and the Articles of Association;
- (v) the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:
  - 1. a copy of the Articles of Association upon payment of a fee;
  - 2. to inspect and obtain a copy of the following at a reasonable fee:
    - (1) all parts of the register of shareholders;
    - (2) particulars of Directors, Supervisors, general manager, chief financial officer and other officers, including:
      - (a) his present name and any former names and any aliases;
      - (b) his principal (residential) address;
      - (c) his nationality;
      - (d) his primary and all other part-time business occupations;



- (e) his identification document and its number.
  - (3) the status of the Company's share capital;
  - (4) reports showing the number and par value of each class of shares repurchased by the Company since the end of the last accounting year, the aggregate amount paid by the Company for the shares repurchased and the maximum and minimum prices of shares repurchased;
  - (5) minutes of shareholders' meetings;
  - (6) financial reports of the Company.
- (vi) in the event of the windup or liquidation of the Company, to participate in the distribution of surplus assets of the Company according to the number of shares held by him;
  - (vii) other rights conferred by laws, administrative regulations and the Articles of Association.

#### Article 46

The ordinary shareholders of the Company shall have the following obligations:

- (i) to abide by the Articles of Association;
- (ii) to pay subscription monies in accordance with the number of shares subscribed and the means of subscription;
- (iii) other obligations imposed by laws, administrative regulations and the Articles of Association.

A shareholder shall not be liable to make any further contribution to the share capital other than the terms agreed by the subscriber at the time of subscription.

#### Article 47

In addition to the obligations imposed by the laws and administrative regulations or the listing rules of the stock exchange on which shares of the Company are listed, a controlling shareholder (within the meaning of Article 48), when exercising his rights as a shareholder, shall not exercise his voting rights to make a decision which is prejudicial to the interests of the shareholders generally or of some of the shareholders of the Company in respect of the following matters:

- (i) to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;
- (ii) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company's assets,

including (without limitation) opportunities beneficial to the Company;

- (iii) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights, but excluding a restructuring of the Company submitted to and approved at a general meeting in accordance with the Articles of Association.

The right of any person directly or indirectly interested in respect of shares held by him shall not be restricted or prejudiced on the grounds that he has no obligation to disclose his interests to the Company.

#### Article 48

For the purposes of the preceding paragraph, a “controlling shareholder” means a person who satisfies any one of the following conditions:

- (i) he, whether alone or acting in concert with others, has the power to elect more than half of the directors;
- (ii) he, whether alone or acting in concert 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, whether alone or acting in concert with others, holds 30% or more of the issued shares of the Company;
- (iv) he, whether alone or acting in concert with others, in any other manner controls the Company in fact.

## **Chapter 8 General meetings**

#### Article 49

General meetings are an empowered body of the Company, and shall exercise its functions in accordance with the laws.

#### Article 50

The following functions shall be exercised at general meetings:

- (i) determine the business strategies and investment plans of the Company;
- (ii) elect and change directors, and fix the remuneration of such directors;
- (iii) elect and change supervisors appointed amongst shareholders, and fix the remuneration of such supervisors;
- (iv) consider and approve the report of the directors;

- (v) consider and approve the report of the supervisors;
- (vi) consider and approve the annual financial budget and final accounts of the Company;
- (vii) consider and approve plans for profit distribution and plans for making good any losses;
- (viii) resolve on the increase or reduction of the Company's registered capital;
- (ix) resolve on matters such as merger, spin-off, dissolution or liquidation of the Company;
- (x) resolve on the issue of bonds of the Company;
- (xi) resolve on the employment, removal or non-renewal of appointment of accounting firm;
- (xii) amend the Articles of Association;
- (xiii) consider proposals submitted by shareholders representing 5% or more of the shares with voting rights;
- (xiv) general meetings may authorise or delegate the board of directors such matters it shall authorise or delegate;
- (xv) other matters which shall be resolved at general meetings pursuant to the provisions of the laws, administrative regulations and the Articles of Association.

#### Article 51

Unless with the prior approval of the general meetings, the Company shall not enter into any contract with any person other than the Directors, Supervisors, general manager, chief financial controller or other officers whereby all or a significant part of the operation of the Company is delegated to such person.

#### Article 52

A general meeting shall either be an annual general meeting or an extraordinary general meeting. General meetings shall be convened by the board of Directors. Annual general meetings are held once every year and within six months after the last financial year end.

Under any of the following circumstances, the board of Directors shall convene an extraordinary general meeting within two months:

- (i) the number of Directors is less than the number required by the Company Law or less than two thirds of the number required by the Articles of

Association;

- (ii) the unaccounted losses of the Company amount to one third of its aggregate capital;
- (iii) shareholders individually or jointly holding 10% or more of the Company's issued shares carrying voting rights requests in writing the convening of an extraordinary general meeting;
- (iv) the board of Directors considers necessary or upon the request of the supervisory committee;
- (v) more than two independent directors propose to convene an extraordinary general meeting.

#### Article 53

To convene a general meeting, the Company shall give written notices no less than 45 days before the date of the meeting, informing all registered shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who intend to attend the meeting shall return the written reply of attendance to the Company to be received by the Company 20 days before the date of the meeting.

#### Article 54

The Board of Directors, the Board of Supervisors and shareholders severally or jointly holding 3% or above shares of the Company shall be entitled to submit proposals to the Company at the general meeting.

Shareholder(s) individually or jointly holding 5% or above of shares of the Company shall have the right to submit a temporary proposal to the convener in writing 10 days prior to the holding of the general meeting; the convener shall, within 2 days after its receipt of such a proposal, issue an supplementary notice of the general meeting, and announce the contents of the temporary proposal. If the listing rules of the place where the Company's shares are listed provide otherwise, such rules shall also be complied with.

#### Article 55

The Company shall calculate, according to the written replies received 20 days before the date of the meeting, the number of shares carrying voting rights represented by the shareholders attending the meeting. The Company may convene a general meeting if the number of shares carrying voting rights represented by shareholders intending to attend aggregates to more than half of the total number of shares carrying such rights. If not, the Company shall make an announcement within five days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the general meeting.

An general meeting may not vote and decide on any matters not specified in the notice under Articles 53 and 54 hereof.

## Article 56

A notice of shareholders' meeting shall:

- (i) be in writing;
- (ii) specify the place, date and time of the meeting;
- (iii) state the matters to be discussed at the meeting;
- (iv) provide such information and explanation as are necessary for the shareholders to make an informed judgment on matters to be discussed at the meeting; including (but not limited to), where the Company proposes an amalgamation, share repurchase, capital restructuring or other forms of reorganisation, detailed terms of the proposed transaction together with copies of the proposed agreement, if any, and the reasons for and consequences of such proposal must be properly explained;
- (v) if a Director, Supervisor, general manager, chief financial officer or other senior management officer has material interests in the proposed transaction, contain a disclosure of the nature and extent of such interests and the effect of the proposed transaction on such Director, Supervisor, general manager, chief financial officer or other senior management officer in their capacity as shareholders insofar as it is different from the effect on the interests of other shareholders of the same class;
- (vi) contain the full text of any special resolution proposed to be passed at 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 on his stead and that such proxy need not be a shareholder;
- (viii) specify the time and place for lodging proxy forms for voting at the relevant meeting.

## Article 57

Notices of general meetings shall be served on the shareholders (whether entitled to vote at the meeting or not) by personal delivery or prepaid post to their addresses shown in the register of shareholders. For the holders of Domestic Shares, notices of general meetings may also be given by way of public announcement.

The public announcement referred to in the preceding paragraph shall be published in one or more national newspapers prescribed by the competent securities authority of the State Council within the interval between 45 to 50 days prior to the date of the meeting. Upon the publication of the announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant general meeting. Chinese and English versions of such announcement shall also be published in accordance with the provisions of Article 182.

#### Article 58

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

#### Article 59

Any shareholder entitled to attend and vote at a general meeting shall be entitled to appoint one or more proxies (need not be a shareholder) to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorisation from such shareholder:

- (i) the shareholder's right to speak at the general meeting;
- (ii) the right to demand, whether on his own or jointly with others, a poll;
- (iii) the right to vote on a show of hands or on a poll, but if more than one proxies have been appointed, such proxies may only vote on a poll.

#### Article 60

The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporate, either under seal or under the hand of a director or attorney duly authorised.

#### Article 61

The instrument appointing a voting proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy proposes to vote or not less than 24 hours prior to the time specified for voting. If such instrument is executed by another person under a power of attorney given by the appointer, such power of attorney or other authorisation documents shall be notarially certified. Notarially certified copies of the power of attorney or such other authorisation documents, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointer is a corporate, its legal representative or any person authorised by resolutions of its board of directors or other governing body shall attend the general meeting as the appointer's representative.

#### Article 62

Any form sent to a shareholder by the board of directors for proxy appointment shall be in such form to enable the shareholder, at his own wish, to instruct his proxy to vote in favour of or against the resolutions proposed and in respect of each individual matters to be voted on at the meeting. Such form shall contain a statement that in the absence of instructions from the appointer, the proxy may vote as he thinks fit.

The Company is entitled to request proxies attending general meetings on behalf

of shareholders to produce identification document and its power of attorney.

Where a corporate shareholder appoints its legal representative to attend a meeting, the Company is entitled to request such legal representative to produce identification document and (other than recognised clearing house (or its nominees)) a notarially certified copy of such resolution or authorisation by the board of directors or other empowering body of such corporate shareholder under which the legal representative was appointed.

Shareholders of the Company may authorise any person as it considers fit as its proxy to attend meetings of the Company or class meetings of the Company. If more than one proxy has been appointed, the authorisation shall specify the number and class of shares in respect of which each representative is so authorised. Each person so authorised shall be entitled to exercise the same powers on behalf of the shareholder.

Where a shareholder is a recognised clearing house (or its nominee(s)), it may authorise one or more such persons as it thinks fit to act as its representatives at any general meeting of the Company or at any class meeting provided that, if more than one proxy have been appointed, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised shall be entitled to exercise the same rights on behalf of the recognised clearing house (or its nominee(s)) as if such person is an individual shareholder of the Company.

#### Article 63

A vote cast in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointer or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the relevant shares, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

#### Article 64

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

An ordinary resolution of the general meeting shall be passed by more than half of the votes represented by shareholders (including proxies) present at the meeting.

A special resolution of the general meeting shall be passed by more than two-thirds of the votes represented by the shareholders (including proxies) present at the general meeting.

#### Article 65

When voting at a general meeting, every shareholder (including proxies) shall exercise the voting right in respect of the number of shares with voting rights represented by it. Each share shall carry one vote.

#### Article 66

At any shareholders meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is, before or after any vote by show of hands, demanded:

- (i) by the chairman of the meeting;
- (ii) by at least two shareholders present in person or by proxy and having the right to vote;
- (iii) by one or more shareholders (or their proxies) representing in aggregate ten percent of more of all shares carrying the right to vote at the meeting.

Unless a poll is so demanded, a declaration by the chairman that a resolution has on a show of hands been passed or declined, and an entry to that effect is made in the book containing the minutes of the meeting, shall be conclusive evidence of the fact without proof of the number or proportion of the vote recorded in favour or against such resolution.

A demand for a poll may be withdrawn by the person who demands it.

#### Article 67

A poll demanded on the election of the chairman of the meeting or on a question of adjournment of the meeting shall be taken forthwith. A poll demanded on any other matters shall be taken at such time as the chairman of the meeting decides, and the meeting may proceed to consider and vote on other matters. The result of the poll shall be deemed to be a resolution passed at the meeting at which the poll was demanded.

#### Article 68

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

#### Article 69

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 one additional vote.

#### Article 70

The following matters shall require the sanction of an ordinary resolution at a general meeting:

- (i) the approval of work reports of the board of Directors and the supervisory committee;
- (ii) the approval of plans formulated by the board of Directors for the distribution of profits and for making good any losses;
- (iii) the appointment and dismissal of the members of the board of Directors



and members of the supervisory committee, their remuneration and modes of payment;

- (iv) the approval of the annual budgets, final accounts, balance sheets and profit and loss accounts and other financial statements of the Company;
- (v) any other matters other than those required by the laws and administrative regulations or the Articles of Association to be adopted by special resolution.

#### Article 71

The following matters shall require the sanction of a special resolution at a general meeting:

- (i) the increase or reduction of share capital of the Company and the issue of shares of any class or warrants and other similar securities;
- (ii) the issue of debentures of the Company;
- (iii) the spin-off, merger, dissolution and liquidation of the Company;
- (iv) amendments to the Articles of Association;
- (v) any other matters considered by the general meeting, resolved by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution.

#### Article 72

Shareholders requisitioning an extraordinary general meeting or class meeting shall abide by the following procedures:

- (i) Two or more shareholders holding in aggregate 10% or more of the shares carrying the right to vote at the meeting sought to be held shall sign a written requisition in one or more counterparts in the same form and contents, requiring the board of Directors to convene an extraordinary general meeting or a class meeting thereof and stating the matters to be considered at the meeting. The board of Directors shall, as soon as possible after receipt of the requisition, convene an extraordinary general meeting or a class meeting thereof. The aforementioned number of shares held by the shareholders shall be calculated based on the date of submission of the written requisition.
- (ii) If the board of Directors fails to issue a notice to convene such meeting within 30 days from the date of receipt of the requisition, the requisitioning shareholders may themselves convene such meeting within 4 months of the receipt of the requisition by the board of Directors. In so convening a meeting, the requisitioning shareholders shall adopt a procedure as similar possible as that of general meetings convened by the board of Directors.

All reasonable expenses incurred by the requisitioning shareholders as a result of the failure of the board of Directors to convene a meeting and so convening such meeting themselves as mentioned above shall be borne by the Company and deducted from any sums due to such defaulting Directors by the Company.

#### Article 73

The Chairman of the Board or, if he is unable to attend such meeting, then the Deputy Chairman shall convene and take the chair at a general meeting, or, if neither such Chairman or Deputy Chairman is present at the meeting, the Chairman may appoint a director to convene and take the chair of such meeting on his behalf; if no one is appointed to take the chair of a meeting, the shareholders present may elect one of their number to be Chairman of the meeting. If, for whatever reasons, the shareholders are unable to elect a Chairman of the meeting, the shareholder (including his proxy) present at the meeting holding the most shares carrying the right to vote shall take the chair.

#### Article 74

The Chairman of the meeting shall be responsible for the determination of whether to pass or decline a resolution at a general meeting, and his determination shall be final and conclusive, and shall be announced at the meeting and recorded in the meeting minutes.

#### Article 75

If the Chairman of the meeting has any doubts in regards to the voting results of a resolution, the votes cast may be counted. If the Chairman of the meeting has not counted the votes cast, shareholders present at the meeting or their proxies who object to the results declared by the Chairman of the meeting are entitled to request for the counting of votes immediately after the announcement of the results, and the Chairman of the meeting shall forthwith count such votes cast.

#### Article 76

If a count of votes is conducted at a general meeting, the voting results shall be recorded in the meeting minutes.

#### Article 77

The meeting minutes together with the book of signatories of shareholders present and the power of attorney of proxies shall be kept at the domicile of the Company.

#### Article 78

Shareholders may inspect copies of meeting minutes free of charge during the business hours of the Company. If any shareholder requests a copy of the meeting minutes from the Company, the Company shall send out such copies within 7 days after receipt of a reasonable fee.

## **Chapter 9 Special procedures for the voting of class shareholders**

#### Article 79

Shareholders holding different types of shares are referred to as class shareholders.

Class shareholders shall have rights and obligations in accordance with the provisions of the laws, administrative regulations and the Articles.

#### Article 80

Where the Company proposes to vary or abrogate any right of the class shareholders, it shall be subject to the passing of a special resolution at a general meeting and also passed at a shareholders meeting separately convened by affected class shareholders in accordance with Articles 82–86.

#### Article 81

The following circumstances shall be deemed to be a variation or abrogation of the rights of class shareholders:

- (i) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or distribution rights or other privileges equal or superior to the shares of such class;
- (ii) to effect an exchange of all or part of the shares of such class into those of another class or to affect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;
- (iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends of such class;
- (iv) to reduce or remove a preference to dividend or to distribution of assets upon liquidation attached to shares of such class;
- (v) to add, remove or reduce conversion, options, voting, transfer or preemptive rights or rights to acquire securities of the Company of such class;
- (vi) to remove or reduce rights to receive payments from the Company in any particular currency of such class;
- (vii) to create a new class of shares having voting or distribution rights or privileges equal or superior to the shares such class;
- (viii) to restrict the transfer of ownership of the shares of such class or to increase any such restrictions;
- (ix) to allot and issue rights to subscribe for, or convert into, shares in the Company of such class or another class;
- (x) to increase the rights or privileges of another class;

- (xi) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring;
- (xii) to vary or abrogate the provisions in these Articles.

#### Article 82

Class shareholders affected, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning Articles 81(ii) to (viii), (xi) and (xii), but Interested Shareholders shall not be entitled to vote at class meetings.

An “Interested Shareholder” referred to in the preceding clause is defined as follows:

- (i) in the case of a repurchase of shares by a general offer to all shareholders or public dealing on a stock exchange under Article 24 of the Articles of Association, an “Interested Shareholder” is a controlling shareholder within the meaning of Article 48 of these Articles;
- (ii) in the case of a repurchase of its own shares by an off-market contract under Article 24 of the Articles of Association, an “Interested Shareholder” is a shareholder to whom such contract is related;
- (iii) in the case of a restructuring of the Company, an “Interested Shareholder” is a shareholder within a class bearing less than a proportionate amount of obligations imposed on the shareholders of that class or who has an interest different from those of other shareholders of that class.

#### Article 83

Resolutions at a meeting of class shareholders shall require the approval of shareholders present representing more than two thirds of the voting rights of that class voting in favour of such resolutions in accordance with Article 82.

#### Article 84

When the Company convenes a class meeting, it shall give written notice no less than 45 days prior to the date of such meeting to notify all registered shareholders holdings shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver a written reply confirming his attendance at the class meeting to the Company no less than 20 days prior to the date of the meeting.

The Company may convene a class shareholders’ meeting if the number of shares of the class carrying voting rights represented by shareholders intending to attend aggregates to more than half of the total number of shares carrying such rights. If not, the Company shall make an announcement within five days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the class

shareholders' meeting.

#### Article 85

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

A class meeting shall be conducted in a similar way as closely as possible to the provisions for general meetings of shareholders set out in the Articles of Association. The provisions of the Articles of Association in respect of the proceedings of general meetings shall apply to any class meeting.

#### Article 86

In addition to holders of shares of other classes, holders of Domestic Shares and Overseas-Listed Foreign-Invested Shares are deemed to be shareholders of different classes.

Special procedures for voting by holders of shares of different classes are not applicable in the following circumstances:

- (i) where, subject to the approval by special resolution at a general meeting, the Company issues either separately or concurrently every twelve months, not more than 20% of each of its outstanding issued Domestic Shares or Overseas-Listed Foreign-Invested Shares;
- (ii) where the Company's plan to issue Domestic Shares and Overseas-Listed Foreign-Invested Shares at the time of its establishment is completed within 15 months from the date on which approval is given by the competent securities authorities of the State Council.

## **Chapter 10 Board of Directors**

#### Article 87

The Company shall establish a Board of Directors, which shall comprise seven directors, including one chairman and one vice-chairman. External directors shall account for more than half of members of the Board of Directors. The Board of Directors shall also include more than two independent directors.

Independent directors shall be directors who do not perform duties other than those related to their capacity as a director in the Company, and who are not connected with the Company and the substantial shareholders in a way that may affect their independent and objective judgements. Independent directors shall owe fiduciary and diligent obligations to the Company and all shareholders. They shall perform their duties independently and seriously to protect the interests of the Company as a whole, particularly the legal interests of the minority shareholders.

To act as an independent director, an individual shall fulfill the following basic requirements:

- (1) qualified to be a director of a listed company pursuant to the laws, administrative regulations and other relevant requirements;
- (2) be independent;
- (3) has the basic knowledge of the operation of a listed company and be well-versed in the relevant laws, administrative regulations, regulations and rules;
- (4) has five years' legal and financial work experience or other work experience required to perform the duties of an independent director.

The following persons shall not act as an independent director:

- (1) an employee who works in the Company or its subsidiary or his immediate relatives or principal associates (immediate relatives means spouse, parents, children, etc.; principal associates means siblings, father- or mother-in-law, daughter-or son-in-law, spouse of siblings, siblings of spouse, etc.);
- (2) a natural person shareholder or his immediate relative who directly or indirectly holds more than 1% of the issued shares of the Company or is among the top ten shareholders of the Company;
- (3) an employee who works in an entity shareholder which directly or indirectly holds more than 5% of the issued shares of the Company or in a top five entity shareholder of the Company or his immediate relative;
- (4) a person who belonged to any of the first three categories over the past year;
- (5) a person who provides financial, legal and consultation services to the Company or its subsidiary.

The Company's Board of Directors, supervisory committee, or shareholders who severally or jointly hold more than 1% of the issued shares of the Company may nominate candidates for election of independent directors at the general meeting. The Company shall have independent directors, including at least one accounting professional who holds a senior position or the qualification as a certified accountant.

The Company shall provide necessary information for external directors to perform their duties.

#### Article 88

Directors shall be elected at the general meeting and shall hold office for a term of three years. Directors shall be eligible for re-election upon expiry of their term.

A written notice in relation to the intention to nominate candidates for directors and the candidates' indication of their willingness to be nominated shall be given to the Company at least seven days before the general meeting.

Election and removal of the chairman and vice-chairman shall be subject to approval of more than half of all the members of the Board of Directors. The chairman and vice-chairman shall hold office for a term of three years and shall be eligible for re-election.

Any director may be removed by an ordinary resolution (without prejudice to any claim the director may have under any contract) before expiry of his tenure, provided that the proceedings of the general meeting are in compliance with the relevant laws and administrative regulations.

Directors are not required to hold any shares of the Company.

In the event of a vacancy in the Board of Directors, the Board of Directors shall appoint a director to fill such casual vacancy. Director so appointed to fill the casual vacancy shall hold office until the next annual general meeting and shall be eligible for re-election.

#### Article 89

The Board of Directors shall be accountable to the general meeting and shall discharge the following functions:

- (1) convening the general meeting and reporting to the general meeting;
- (2) implementing the resolutions of the general meeting;
- (3) developing the business plans and investment plans of the Company;
- (4) formulating the annual budget and final accounts of the Company;
- (5) formulating the Company's proposal for distribution of profits and making good losses;
- (6) formulating the Company's proposal for registered capital increase or reduction and corporate bonds issue;
- (7) devising proposals for merger, division and dissolution of the Company;
- (8) determining the Company's internal management structure;
- (9) appointing or removing the Company's general manager and, based on the nominations of the general manager, appointing or removing the Company's chief financial officer and other senior management, and determining their remuneration;
- (10) establishing the basic management system of the Company;
- (11) formulating proposals for amendments to the Articles of Association;

- (12) discharging other functions by the general meeting.

All the resolutions relating to the above matters proposed by the Board of Directors may be passed by a simple majority of votes cast by directors, provided that items (6), (7) and (11) must be passed by a majority of not less than two-third of votes cast by all the directors. The connected transactions of the Company shall only take effect upon written consent signed by the independent directors.

The functions of the Board of Directors as referred to in this Article may, upon unanimous consent by all directors, be delegated to one or more directors, provided that, any matters involving the Company's substantial interests shall be decided by the Board of Directors collectively. The said delegation by the board of directors shall be clear and specific.

#### Article 90

The Board of Directors shall not, without the prior approval of shareholders at a general meeting, dispose of or agree to dispose of any fixed assets of the Company where the aggregate of the estimated consideration of the assets proposed to be disposed and the consideration received for fixed assets disposed in the four months immediately preceding the proposed disposal, exceeds 33% of the value of the Company's fixed assets as stated in the latest balance sheet approved by the shareholders at the general meeting.

A "disposal of fixed assets" as referred to in this article includes an act involving the transfer of an interest in certain assets but does not include putting the fixed assets in pledge.

Breach of the first paragraph of this article shall not affect the validity of any transaction entered into by the Company in disposing of fixed assets.

Upon making decisions relating to market exploration, merge and takeover, investment into new areas with amount of the transaction exceeding 10% of the total asset of the Company, the Company shall engage external consultation firms for professional advices as an important basis for the decision making of the Board of Directors.

#### Article 91

The Chairman shall discharge the following functions:

- (1) presiding the general meeting and convening and presiding meetings of the Board of Directors;
- (2) tracking the status of implementation of the resolutions of the Board of Directors;
- (3) executing the securities issued by the Company;
- (4) discharging other functions required by the Board of Directors.

If the Chairman is not able to discharge his functions, he shall designate a vice-chairman to discharge the functions on his behalf.



#### Article 92

Board meetings shall be convened by the chairman and held at least four times a year. Notice of a board meeting shall be given to all directors at least 10 days prior to the meeting. In case of contingency, extraordinary board meetings shall be held at the requisition of at least one-third of the directors, the chairman or the general manager of the Company. Holding of extraordinary board meetings shall not be bound by the above notice period.

Two or more independent directors may propose to convene an extraordinary general meeting. Independent directors may directly report to the general meeting, the CSRC and other relevant authorities.

#### Article 93

Notice of meetings and extraordinary meetings of the Board of Directors shall be delivered in person, by facsimile, by express delivery service, by registered mail or e-mail.

#### Article 94

Director who has attended the meeting will be deemed to have been given a notice of board meeting if he had not raised any issues of such notice before the date or the commencement of the board meeting.

#### Article 95

Meetings or extraordinary meetings of the Board of Directors can be held by means of a conference telephone or similar communication equipment as long as all directors present at the meeting can perceive speech of the other directors clearly and communicate with each other, such participation should constitute presence at the meeting.

#### Article 96

The quorum necessary for the transaction of the business of any Board meetings shall be half of the directors (including such directors who are delegated to attend in accordance with Article 101 of the Articles of Association).

Each director shall have one vote. Unless otherwise required by the Articles of Association, resolutions proposed by the Board of Directors shall be approved by more than half of all the directors.

#### Article 97

Apart from exercising the relevant laws and regulations and the powers conferred by these Articles of Association, independent directors may also exercise the following special powers:

- (1) to approve substantial connected transactions (connected transactions proposed to be entered into between the Company and a connected person with an amount exceeding RMB3,000,000 or 5% of the Company's latest

audited net asset value) before submitting to the Board of Directors for discussion; and to appoint intermediaries to issue an independent financial report before making a judgement to form the basis of their judgement;

- (2) to propose to the Board of Directors for the appointment or dismissal of an accountants' firm;
- (3) to propose the Board of Directors for convening an extraordinary general meeting;
- (4) to propose to convene board meetings;
- (5) to appoint an external auditing firm or consultancy firm independently;
- (6) to solicit proxies from shareholders publicly before convening a general meeting.

An independent director shall obtain the consent of majority of all the independent directors when he exercises the above powers.

If the above proposals are not be adopted or the above powers failed to be exercised properly, the Company shall disclose accordingly.

#### Article 98

Independent directors shall express their independent comments on any substantial issues of the Company.

#### Article 99

In addition to the above duties, the independent directors shall express their independent opinions to the Board of Directors or the general meeting on the following matters:

- (1) nomination, appointment and removal of directors;
- (2) appointment and dismissal of the senior management;
- (3) remuneration of the Company's directors and senior management;
- (4) existing or newly raised loans and other forms of fund transfer to the Company from its shareholders, actual controlling shareholders or their affiliates with an amount exceeding RMB3,000,000 or 5% of the Company's latest audited net asset value, and whether the Company has taken effective measures to recover the amounts due;
- (5) matters which may prejudice to the interests of the minority shareholders in the opinion of independent director.

Independent directors shall choose to provide any of the following opinions with respect to the above matters: agree, reserve opinion and the reasons therefor, dissent and

the reasons therefor, or unable to comment and the reasons therefor. If the matters concerned required to be disclosed, the Company shall also publicly disclose the opinions of the independent directors. When the independent directors cannot reach a consensus, the Company shall publicly disclose the opinions of each of the independent directors.

In the case of an equality of votes for and against a resolution, the chairman shall be entitled to a casting vote.

When more than one-fourth of the directors or more than two external directors are of the view that the information provided are not sufficient or the submission is not fully demonstrated, they may jointly propose to adjourn the board meeting or the discussion of certain matters in the board meeting, and the Board of Directors shall adopt accordingly.

If a director has any conflict of interest in a matter to be resolved by the Board of Directors, such director shall have no voting right and shall not be reckoned in a quorum of board meeting.

#### Article 100

Directors shall attend the meetings of the Board of Directors in person. Where a director is unable to attend a meeting for any reason, he may appoint another director in writing to attend the meeting on his behalf, provided that he shall assume legal obligations independently. The power of attorney shall set out the scope of the authorization.

A director appointed as a representative of another director to attend the meeting shall exercise the rights of a director within the scope of authority conferred by the appointing director. Where a director is unable to attend a meeting of the Board of Directors, and has not appointed a representative to attend the meeting on his behalf, he shall be deemed to have waived his right to vote at the meeting.

#### Article 101

For matters which require approval at an extraordinary meeting of the Board of Directors, in lieu of convening a board meeting, a written resolution may be adopted by the Board of Directors if such resolution is sent to all directors and affirmatively signed by such number of directors as required to make such decision stipulated in Article 96 of this Chapter.

#### Article 102

The Board of Directors shall keep minutes of resolutions passed at board meetings. The minutes shall be signed by the Directors presented at the meeting and the person who recorded the minutes. Opinions of the independent directors shall be clearly stated in the minutes of the Board meeting. The directors shall be liable for the resolutions of the Board of Directors. If a resolution of the Board of Directors violates the laws, administrative regulations or the Articles of Association, the directors who participated in the passing of such resolution are liable to give the Company indemnity for the resulting substantial losses. However, if there is evidence recorded in the minutes of the meeting that a director expressly objected to the resolution when the resolution was voted on, such director may

be released from such liability. Any director who had objected to the resolution during discussions in the board meetings but did not vote against such resolution shall not be exempted from liability.

#### Article 103

A director may resign before expiration of his term of office. The director who resigns shall submit a written notice on his resignation to the board of directors. The independent directors shall also explain in details any matters which are relevant to his resignation, or which he considers, should be drawn to the attention of the shareholders and creditors of the Company.

If the number of directors on the board of directors falls below the minimum number stipulated by the laws as a result of the resignation of a director, such resignation shall not be effective until after the vacancy so arising has been filled up by a succeeding director. The remaining directors of the board of directors shall as soon as the resignation notice is received, convene an extraordinary general meeting for the purpose of electing a new director to fill up the vacancy so arising. The powers and duties of the resigning director and the remaining directors of the board of directors shall be subject to reasonable restrictions until a resolution on the election of director is passed at the shareholders' general meeting.

Except for the aforesaid situations, the letter of resignation of a director shall be effective immediately upon receipt by the board of directors.

### **Chapter 11 Secretary to the Board of Directors of the Company**

#### Article 104

The Company shall have a secretary to the Board of Directors, who shall be an officer of the Company.

#### Article 105

The secretary to the Board of Directors of the Company shall be a natural person who has the necessary professional knowledge and experience and shall be appointed by the Board. The principal responsibilities of the secretary to the Board of Directors shall be:

- (1) ensuring that the Company has all the necessary organisational documents and records;
- (2) ensuring that the Company shall prepare and submit all reports and documents requested by the relevant authorities in pursuance to the law;
- (3) ensuring that the shareholder register is properly maintained and ensuring that persons who have the right to obtain records and documents of the Company receive those records and documents promptly.

#### Article 106

A director or another officer of the Company may serve as the secretary to the Board of Directors of the Company concurrently. An accountant from the accounting firm engaged by the Company shall not be appointed as the secretary to the Board of Directors of the Company concurrently.

When an action which should be taken by a director and the secretary to the Board of Directors of the Company separately, an action taken by a director who also serves as the secretary to the Board of Directors of the Company, shall not be deemed taken.

### **Chapter 12 Manager of the Company**

#### Article 107

The Company shall have one general manager and one financial controller. The general manager shall be nominated by the chairman, and appointed or dismissed by the Board of Directors. The financial controller and other officers shall be nominated by the general manager, and appointed or dismissed by the Board of Directors. A member of the Board of Directors may concurrently serve as the general manager, financial controller and another officer.

#### Article 108

The general manager of the Company shall be accountable to the Board of Directors and discharge the following functions:

- (1) overseeing the production, operations and management tasks of the Company to implement the resolutions of the Board of Directors;
- (2) implementing the Company's annual business plan and investment plan;
- (3) devising the set-up of the Company's internal management structure;
- (4) devising the basic management policy of the Company;
- (5) formulating the specific rules of the Company;
- (6) proposing to the Board of Directors for the appointment or dismissal of the financial controller and other officers of the Company;
- (7) appointing or dismissing officers other than those appointed or dismissed by the Board of Directors;
- (8) discharging other functions required by the Articles of Association and the Board of Directors.

#### Article 109

The general manager of the Company shall be present at the meetings of the Board

of Directors. However, the general manager has no voting rights at the meetings of the Board of Directors unless he is also a director.

#### Article 110

In discharging their functions, the Company's general manager and financial controller shall perform their fiduciary and diligent duty in compliance with the provision of the laws, administrative regulations and Articles of Association.

### **Chapter 13 Supervisory Committee**

#### Article 111

The Company shall have a supervisory committee.

#### Article 112

The supervisory committee shall comprise three members, of which two shall be independent supervisors who are independent of shareholders and do not hold an office within the Company. The supervisory committee shall have one chairman. The external supervisors shall report independently to the general meeting the fiduciary and diligent performance of the officer of the Company.

The term of office of a supervisor shall be three years, and renewable upon re-election.

Appointment and dismissal of the chairman of the supervisory committee shall be approved by a resolution passed by two-thirds or more of the members of the supervisory committee.

The term of office of the chairman of the supervisory committee shall be three years, and renewable upon re-election.

#### Article 113

The supervisory committee shall comprise 2 representatives nominated by shareholders and 1 staff representative of the Company. Representatives nominated by shareholders shall be elected and removed at the general meeting, while staff representatives shall be elected and removed by the staff of the Company in a democratic way.

#### Article 114

The Company's directors, general manager and financial controller shall not serve as a supervisor concurrently.

#### Article 115

The supervisory committee shall convene at least one meeting each year and the chairman of the supervisory committee shall be responsible for convening the meetings.

#### Article 116

The supervisory committee shall be accountable to the general meeting and shall discharge the following functions in compliance with the laws:

- (1) examining the Company's financial affairs;
- (2) monitoring any non-compliance with laws, administrative regulations or the Articles of Association while the Company's directors, general manager, financial controller and other officers performing their duties;
- (3) requesting remedy from the Company's directors, general manager, financial controller and other officers when their acts prejudice the interests of the Company;
- (4) verifying financial information, such as financial reports, business reports and profit distribution plans, to be submitted by the Board of Directors at the general meetings and, should any queries arise, appointing certified accountants or practicing auditors to assist in re-examining such information on behalf of the Company;
- (5) proposing to convene extraordinary general meetings;
- (6) negotiating with or initiating proceedings against a director on behalf of the Company;
- (7) discharging other functions required by the Articles of Association.

A supervisor shall be present at the meetings of the Board of Directors.

#### Article 117

Meetings of the supervisory committee shall only commence when all the three supervisors are present.

Any resolution of the supervisory committee shall be passed by votes of two-thirds or more of the members of the supervisory committee.

#### Article 118

All reasonable fees and expenses incurred for the engagement of professionals such as solicitors, certified public accountants and practicing auditors in relation to the performance of the duties of the supervisory committee shall be borne by the Company.

#### Article 119

Supervisors shall discharge their supervisory duties faithfully in compliance with the provisions of the laws, administrative regulations and the Articles of Association.

## Article 120

In the event that the terms of supervisors fall upon maturity whereas new members of the supervisory committee are not re-elected in time, or the resignation of any supervisor during his term of office results in the number of members of the supervisory committee falling below the statutory requirement, the existing supervisors shall continue to perform their duties in accordance with the laws, the administrative regulations and the Articles of Association until the re-elected supervisors assume their office.

## **Chapter 14 Qualification and Obligations of the Company's Directors, Supervisors, General Manager, Financial Controller and Other Officers**

### Article 121

A person may not serve as the Company's director, supervisor, general manager, financial controller or other officers if he is:

- (1) a person without or with limited capacity for civil conduct;
- (2) a person who has been convicted for corruption, bribery, infringement of property, misappropriation of property or other crimes which destroy the economic and social order, where less than five years have elapsed since the sentence was passed or a person who has been deprived of his/her political rights for committing a crime, where less than five years have elapsed since the sentence was passed;
- (3) a person who is a former director, factory manager or manager of a company or enterprise which has been placed in liquidation as a result of mismanagement and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the completion of the insolvent liquidation of the company or enterprise;
- (4) a person who is a former legal representative of a company or enterprise whose business licence was revoked due to violation of law and who was personally liable therefor, where less than three years have elapsed since the date of the revocation of the business license;
- (5) a person who has a relatively large amount of debts due and outstanding;
- (6) a person who is under criminal investigation or prosecution by judicial authority for violation of criminal law and the case is not yet concluded;
- (7) a person who is not eligible for enterprise leadership under the laws and administrative regulations;
- (8) a person other than a natural person;
- (9) a person who has been convicted by the relevant competent authority for



violation of relevant securities regulations, involving fraudulent or dishonest act, where less than five years have elapsed from the date of such conviction.

#### Article 122

The validity of an act of the Company's director, general manager, financial controller and other officers on behalf of the Company towards a bona fide third party shall not be affected by any irregularity in his current position, election or qualifications.

#### Article 123

In addition to obligations imposed by laws, administrative regulations or the listing rules of the relevant stock exchanges on which the Company's shares are listed, each of the Company's directors, supervisors, general manager, financial controller and other officers owes the following duties to each shareholder in the exercise and discharge of his functions and powers given by the Company:

- (1) not to cause the Company to exceed the scope of the business stipulated in its business license;
- (2) to act honestly in the best interests of the Company;
- (3) not to expropriate the Company's property in any way, including but not limited to usurpation of opportunities which are beneficial to the Company;
- (4) not to deprive shareholders of their individual rights, including but not limited to rights of distribution and voting rights, except for a restructuring of the Company proposed at the general meeting for approval in accordance with the Articles of Association.

#### Article 124

Each of the Company's directors, supervisors, general manager, financial controller and other officers owes the duty to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances in the exercise of his powers or discharge of his obligations.

#### Article 125

Each of the Company's directors, supervisors, general manager, financial controller and other officers owes a duty, in the exercise of his powers, to observe the ethical principle of being a fiduciary not to place himself in a position where his interest and the obligations undertaken may conflict. This principle shall include but not limited to the following obligations:

- (1) to act honestly in the best interests of the Company;
- (2) to exercise the powers vested in him and not to exceed the scope thereof;
- (3) to personally exercise the discretionary power granted to him and not allow

himself to act under the direction of others and unless and to the extent permitted by the laws and administrative regulations or informed consent of shareholders in a general meeting, not to delegate the exercise of his discretion;

- (4) to treat the shareholders of the same class equally and treat the shareholders of different classes fairly;
- (5) except in accordance with the Articles of Association or with the informed consent of shareholders at a general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (6) without the informed consent of shareholders at a general meeting, not to use the Company's property for his own benefit;
- (7) not to use his authority for obtaining bribes or other illegal income and not to expropriate the property of the Company including but without limitation, not to usurp opportunities beneficial to the Company;
- (8) without the informed consent of shareholders at a general meeting, not to accept commissions in connection with the Company's transaction;
- (9) to observe the Articles of Association; to perform the duties faithfully; to protect the interests of the Company; not to use his position and authority in the Company to make his own benefit;
- (10) without the informed consent of shareholders at a general meeting, not to compete in any way with the Company;
- (11) not to embezzle the funds of the Company or make loans to the others out of the funds of the Company; not to deposit the assets of the Company into accounts under his name or any other name; not to use assets of the Company as security for loans to shareholders of the Company or any other person;
- (12) not to disclose confidential information of the Company acquired by him during his term of office without the informed consent of shareholders at a general meeting; not to use such information other than for the benefit of the Company; save and except that disclosure of such information to the court of law or other government authorities is permitted if:
  - (i) disclosure is required by the laws;
  - (ii) there is a duty to the public to disclose;
  - (iii) it is in the personal interests of such director, supervisor, general manager, financial controller and other officer to require disclosure.
- (13) subject to such exceptions specified in the articles of association as the Stock Exchange of Hong Kong Limited may approve (please refer to Note

5 in the Appendix 3 to the GEM Listing Rules), a director not to vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates (as defined in the GEM Listing Rules) has a material interest nor shall he be counted in the quorum present at the meeting.

#### Article 126

Each of the Company's directors, supervisors, general manager, financial controller and other officers shall not cause the following persons or entities (the "Related Parties") to do what a director, supervisor, general manager, financial controller or other officer of the Company is prohibited from doing:

- (1) the spouse or minor child of a director, supervisor, general manager, financial controller or other officer of the Company;
- (2) a person acting in the capacity of a trustee of a director, supervisor, general manager, financial controller or other officer of the Company or any person referred to in the preceding sub-paragraph (1);
- (3) a person acting in the capacity of a partner of a director, supervisor, general manager, financial controller or other officer of the Company or any person referred to in sub-paragraphs (1) and (2) above;
- (4) a company in which a director, supervisor, general manager, financial controller or other officer of the Company severally has or jointly with any person referred to in sub-paragraphs (1), (2) and (3) above or other directors, supervisors, general manager, financial controller and other officer of the Company have a de facto controlling interest;
- (5) the directors, supervisors, general manager, financial controller and other officer of the controlled company referred to in the preceding sub-paragraph (4).

#### Article 127

The fiduciary obligations of a director, supervisor, general manager, financial controller and other officer of the Company do not necessarily cease upon expiry of his term of office. The obligations to keep the trade secrets of the Company confidential shall survive the expiry of his term of office. The continuance of the other obligations shall be determined on a fair basis depending on the length of time between its occurrence and his departure from office and the circumstances and conditions under which his relation with the Company was terminated.

#### Article 128

Except as provided in Article 47 of the Articles of Association, a director, supervisor, general manager, financial controller and other officer of the Company may be relieved of liability for breaches of his certain duty by the informed consent of the shareholders at a general meeting.

#### Article 129

If a director, supervisor, general manager, financial controller or other officer has, directly or indirectly, a material interest in a contract, transaction or arrangement, entered into or proposed to be entered into with the Company (other than a contract of employment entered into between the Company and the director, supervisor, general manager, financial controller or other officer), he shall declare the nature and extent of his interest to the Board of Directors as soon as possible, whether or not the above matters are normally subject to the approval of the Board of Directors.

Unless the interested director, supervisor, general manager, financial controller or other officer has disclosed his interests to the Board of Directors in accordance with the foregoing paragraph of this Article and that matter has been approved by the Board of Directors at a meeting in which he has not been counted in the quorum and has refrained from voting, the Company may cancel that contract, transaction or arrangement except that the counterparty is a bona fide party and the breach of duty by that director, supervisor, general manager, financial controller or other officer is not to his knowledge.

If a person connected with a director, supervisor, general manager, financial controller or other officer is interested in a contract, transaction or arrangement, that director, supervisor, general manager, financial controller or other officer shall also be deemed interested therein.

#### Article 130

If a director, supervisor, general manager, financial controller or other officer of the Company, before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company, gives to the Board a notice in writing stating that, by reason of the facts specified in the notice, he is interested in the contracts, transactions or arrangements which will be subsequently made by the Company, such director, supervisor, general manager, financial controller or other officer shall be deemed to have made a disclosure for the purpose of the preceding Article of the Articles of Association to the extent of the matters disclosed in such notice.

#### Article 131

The Company shall not in any manner pay taxes for or on behalf of a director, supervisor, general manager, financial controller or other officer of the Company.

#### Article 132

The Company is prohibited from directly or indirectly providing a loan or a guarantee for a loan to directors, supervisors, general managers, financial controllers and other officers of the Company and its holding company; and is prohibited from providing a loan or a guarantee for a loan to persons connected with such directors, supervisors, general manager, financial controller and officers.

The following transactions are not subject to the above provision:

- (1) the provision of a loan or a guarantee for a loan by the Company to its subsidiary;

- (2) the provision of a loan or a guarantee for a loan or other funds by the Company under a service contract with any of its directors, supervisors, general manager, financial controller and other officers as approved at a general meeting to cover expenditures incurred or to be incurred by them for the purposes of the Company or for proper performance of their duties to the Company;
- (3) where the ordinary course of business of the Company includes the provision of loans or guarantees for loans, the Company may provide a loan or a guarantee for a loan on normal commercial terms to any of its directors, supervisors, general manager, financial controller and other officers or persons connected with them.

#### Article 133

A loan made by the Company in breach of the provisions in the preceding article shall be forthwith repayable by the recipient regardless of the terms of the loan.

#### Article 134

A guarantee for a loan provided by the Company in breach of Paragraph 1 of Article 129 shall not be enforceable against the Company except that:

- (1) a loan was to a person connected with a director, supervisor, general manager, financial controller or other officer of the Company or its holding company, and at the time the loan was advanced the lender was not aware of the connection;
- (2) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

#### Article 135

The guarantee referred to in the preceding article of this Chapter shall include an undertaking or property provided by the guarantor to secure the performance of obligations by the obligor.

#### Article 136

Where any of the directors, supervisors, general manager, financial controller and other officers of the Company is in breach of his obligation to the Company, in addition to various rights and remedies provided by the laws and administrative regulations, the Company is entitled to:

- (1) claim damages from such directors, supervisors, general manager, financial controller and other officers for losses sustained by the Company as a result of such breach;
- (2) rescind any contract or transaction entered into by the Company with any director, supervisor, general manager, financial controller and other

officers or with a third party (where such breach of obligations to the Company by such director, supervisor, general manager, financial controller and other officers of the Company is or should be known to such third party);

- (3) demand an account of the profits made as a result of the breach by any director, supervisor, general manager, financial controller and other officer;
- (4) recover any monies received by any director, supervisor, general manager, financial controller and other officer for the Company, including but not limited to commissions;
- (5) demand payment of the interest earned or which may have been earned by any director, supervisor, general manager, financial controller and other officer on the monies that should have been paid to the Company.

#### Article 137

The Company shall, with the prior approval of the general meeting of, enter into a contract in writing with a director or supervisor wherein his emolument is stipulated. The aforesaid emolument includes:

- (1) emolument in respect of his service as director, supervisor or officer of the Company;
- (2) emolument in respect of his service as director, supervisor or officer of any subsidiary of the Company;
- (3) emolument in respect of the provision of other services in connection with the management of the Company and any of its subsidiaries;
- (4) payment by way of compensation to the director or supervisor for loss of office, or as consideration for or in connection with his retirement from office.

No proceedings may be brought by a director or supervisor against the Company for any of the above entitled benefit unless the proceedings are brought pursuant to the aforementioned contract.

#### Article 138

The contract concerning the emoluments between the Company and its directors or supervisors shall provide that in the event of a takeover of the Company, the directors and supervisors of the Company shall, subject to the prior approval at a general meeting, are entitled to compensation or other payment in respect of his loss of office or retirement. A takeover of the Company referred to in this Article means any of the following:

- (1) an offer made by any person to all shareholders; or
- (2) an offer made by any person with a view to becoming a controlling

shareholder within the meaning set out under Article 48 of the Articles of Association.

If the relevant director or supervisor does not comply with this Article, any sum so received by him shall belong to those persons who have sold their shares as a result of the acceptance of the said offer. The expenses incurred in distributing that sum pro rata among those persons shall be borne by the relevant director or supervisor and not paid out of that sum.

## **Chapter 15 Financial and Accounting System and Profit Distribution**

### Article 139

The Company shall develop its own financial and accounting system in accordance with laws, administrative regulations and the PRC accounting standards formulated by the financial regulatory authorities of the State Council.

### Article 140

The Company shall prepare the financial statements at the end of each accounting year. The financial statements shall be examined and verified in a manner prescribed by laws.

### Article 141

The Board of Directors of the Company shall place before the shareholders at every annual general meeting such financial statements required to be prepared by the Company in pursuance with the relevant laws, administrative regulations and directives promulgated by local governments and other authorities concerned.

### Article 142

The Company's financial statements shall be made available for inspection by the shareholders of the Company 20 days before the date of annual general meeting. Each shareholder shall be entitled to a copy of the financial statements referred to in this Chapter.

The Company shall deliver or send to each holder of overseas-listed foreign shares the abovementioned reports together with the directors' report not less than 21 days prior to the date of the annual general meeting by pre-paid mail to their addresses as shown in the register of members.

### Article 143

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or the accounting standards of the place where the Company's shares are listed overseas. If there are any material differences between the financial statements prepared in accordance with the two accounting standards, such difference shall be stated in the notes to the financial statements. In distributing the Company's after-tax profits in the relevant accounting year, the lower of

the amounts shown in the two aforesaid financial statements shall be adopted.

#### Article 144

Any interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the place where the Company's shares are listed overseas.

#### Article 145

The Company shall publish its financial reports for four times in every accounting year, that is, the financial report for the initial quarter shall be published within 45 days after the end of the first three months of every accounting year; the interim financial report shall be published within 45 days after the end of the first six months of every accounting year; the financial report for the third quarter shall be published within 45 days after the end of the first nine months of every accounting year; the annual report shall be published within 3 months after the end of every accounting year.

#### Article 146

The Company shall not keep accounts other than those required by law.

#### Article 147

The Company's profits after tax shall be appropriated in the following order:

- (1) recovery of losses;
- (2) 10% to be transferred to the Company's statutory surplus reserve fund;
- (3) 5% to 10% to be transferred to the Company's statutory public welfare fund;
- (4) transferred to the discretionary surplus reserve fund, subject to be resolved at the general meeting;
- (5) payment of dividends for ordinary shares.

No dividends or other forms of distribution by way of bonus may be made unless losses of the Company have been recovered and a transfer has been made to the statutory surplus reserve fund and the statutory public welfare fund.

#### Article 148

Capital surplus reserve fund includes the following items:

- (1) premiums resulting from the issue of shares in excess of par value of shares;
- (2) other income designated by the regulations of the financial regulatory authorities of the State Council to be included in the capital surplus reserve



fund.

#### Article 149

The Company's surplus reserve fund may only be used for the following purposes:

- (1) recovery of losses;
- (2) expansion of the production operations of the Company;
- (3) capitalisation.

Where the Company capitalises its surplus reserve fund in pursuance with the resolution of the general meeting, new shares shall be issued for consideration to shareholders in proportion to their existing shareholdings or the nominal value of each share shall be increased, provided that the balance of the surplus reserve fund shall not be less than 25% of the Company's registered capital.

#### Article 150

The Company's dividend shall be paid once a year and shall be determined by the shareholders at a general meeting by way of an ordinary resolution.

The Company may distribute an interim dividend in accordance with the resolution passed at a general meeting.

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared. Where power is exercised to forfeit unclaimed dividends, such power shall not be exercised until the expiry of the applicable effective period. Such applicable effective period shall not be less than six years.

#### Article 151

The Company may distribute dividends in:

- (1) cash;
- (2) shares.

#### Article 152

Dividends and other payments declared by the Company to be payable to holders of domestic shares shall be declared, denominated and paid in Renminbi. Those payable to holders of overseas-listed foreign shares shall be declared and denominated in Renminbi, and paid in the currency of the place where such foreign shares are listed (In case there are more than one place of listing, in the currency of the principal place of listing as determined by the Board of the Directors of the Company).

#### Article 153

Distribution of dividends and other payments by the Company to holders of foreign shares shall be in accordance with the relevant foreign exchange administration regulations of the PRC. In the absence of such regulations, the applicable conversion rate shall be the average closing rate of the relevant foreign exchange as published by the People's Bank of China for the one-week period immediately prior to the date of declaration of such dividend and other payments.

#### Article 154

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

The receiving agent(s) appointed by the Company shall meet the requirements of the laws of the place where the Company's shares are listed or the relevant regulations of those stock exchanges.

A receiving agent appointed by the Company on behalf of the holders of overseas-listed foreign shares listed in Hong Kong shall be a trust corporation registered under the Trustee Ordinance of Hong Kong.

## **Chapter 16 Appointment of Accounting Firm**

#### Article 155

The Company shall appoint an independent accounting firm which complies with the relevant regulations of the State to audit the Company's annual financial statements and review other financial reports of the Company.

The Company's accounting firm shall be appointed by shareholders at a general meeting. The first accounting firm may be appointed by the Board of Directors and the accounting firm so appointed shall hold office until the conclusion of the next annual general meeting.

#### Article 156

The accounting firm appointed by the Company shall hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting.

#### Article 157

The accounting firm appointed by the Company shall have the following rights:

- (1) to review the Company's books, records and vouchers at any time, and to require the Company's directors, general manager, financial controller and other officers to provide relevant information and explanation;
- (2) to require the Company to take all reasonable measures to obtain from any

of its subsidiaries any information and explanation which is necessary for the accounting firm to discharge its duties;

- (3) to attend general meetings of shareholders and to receive all notices of, and other communications relating to, any general meetings which a shareholder is entitled to receive, and to speak at any general meeting in relation to matters concerning its role as the Company's accounting firm.

#### Article 158

Where the position is vacant, the Board of Directors may appoint an accounting firm to fill the vacancy before the convening of the general meeting. However, if the Company has any other incumbent accounting firm while the position is still vacant, such accounting firm may continue to act.

#### Article 159

The general meeting may, by ordinary resolution, remove an accounting firm before the expiration of its term of office, irrespective of the provisions in the contract between the accounting firm and the Company. However, the accounting firm's right to claim for damages which arise from such removal shall not be affected thereby.

#### Article 160

The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined at the general meeting. The remuneration of an accounting firm appointed by the Board of Directors shall be determined by the Board of Directors.

#### Article 161

The Company's appointment, removal or non-reappointment of an accounting firm shall be determined at the general meeting. Such resolution shall be filed with the securities regulatory authority of the State Council.

Where a resolution is proposed to be passed at the general meeting to appoint a non-incumbent accounting firm to fill a casual vacancy, or to reappoint a retiring accounting firm that has been appointed by the Board of Directors to fill a casual vacancy, or to remove an accounting firm before the expiration of its term of office, the following provisions shall apply:

- (1) a copy of the appointment or removal proposal shall be sent (before notice of the general meeting is given to the shareholders) to the accounting firm proposed to be appointed or proposing to leave its post or the accounting firm which has left its position in the relevant accounting year (leaving includes leaving by removal, resignation or retirement);
- (2) if the accounting firm leaving its position makes representations in writing and requests the Company to give notice of such representations to the shareholders, the Company shall take the following measures (unless the representations are received too late):

- (i) in any notice of the proposed resolution given to shareholders, state the fact that representations made by such leaving accounting firm; and
  - (ii) attach a copy of the representations to the notice and deliver it to each shareholder entitled to receive the notice of the general meeting at which resolution to be proposed in the manner stipulated in the Articles of Association;
- (3) if the Company fails to send out the accounting firm's representations in the manner set out in sub-paragraph (2) above, such accounting firm may request the representations to be read out at the general meeting and may lodge further complaints;
- (4) an accounting firm which is leaving its position shall be entitled to attend the following general meetings:
- (i) the general meeting at which its term of office would otherwise have expired;
  - (ii) the general meeting at which it is proposed to fill the vacancy caused by its removal;
  - (iii) the general meeting which is convened as a result of its resignation;

and the accounting firm leaving its position shall have the right to receive all notices of, and other information relating to, any such meetings, and to speak at any such meetings in relation to matters concerning its role as the former accounting firm of the Company.

#### Article 162

Prior notice shall be given to the accounting firm if the Company decides to remove or not to reappoint such accounting firm. The accounting firm shall have the right to make representations to the general meeting. Where the accounting firm resigns from its position, it shall state to the general meeting whether there has been any impropriety on the part of the Company.

An accounting firm may resign its office by depositing at the Company's registered address a resignation notice. Such notice shall become effective on the date the notice is deposited at the Company's registered address or such later date as may be stipulated in such notice. Such notice shall contain any of the following statements:

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

The Company shall, within fourteen days after receipt of the notice referred to in the preceding paragraph, send a copy of the notice to the relevant governing authority. If the notice contains a statement referred to in the preceding sub-paragraph (2), a copy of such statement shall be maintained at the Company for the shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas-listed foreign shares who entitled to receive the report of the Company's financial position at the addresses shown in the register of members.

Where the accounting firm's notice of resignation contains a statement relating to any circumstances which should be brought to the notice of the shareholders of the Company, the accounting firm may request the Board of Directors to convene an extraordinary general meeting to give an explanation of the circumstances connected with its resignation.

## **Chapter 17 Insurance**

### Article 163

Various types of insurance to be bought by the Company in accordance with the relevant insurance law in the PRC shall be discussed and decided at a meeting of the Board of Directors.

## **Chapter 18 Labour and Personnel Management Systems**

### Article 164

The Company may at its discretion employ and dismiss employees based on the business development needs of the Company and in accordance with the requirements of the laws and administrative regulations of the State.

### Article 165

The Company may formulate its labour and payroll systems and payment methods in accordance with the relevant laws and regulations of the State, the Company's Articles of Association for the economic benefits of the Company.

### Article 166

The Company shall endeavour to improve its employee benefits and to continually improve the working environment and living standards of its employees.

### Article 167

The Company shall provide medical, retirement and unemployment insurance for its employees and put in place a labour insurance system, in accordance with the relevant laws and regulations of the State.

## **Chapter 19 Trade Unions**

Article 168

The Company's employees may form trade unions and carry out trade union activities to protect their legal rights. The Company shall provide necessary support to such activities.

## **Chapter 20 Merger and Division of the Company**

Article 169

In the event of the merger or division of the Company, a plan shall be presented by the Company's Board of Directors and shall be approved in accordance with the procedures stipulated in the Company's Articles of Association. The Company shall then go through the relevant approval process. A shareholder who objects to the plan of merger or division is entitled to demand the Company or the shareholders who consent to the plan to acquire his shareholding at a fair price. The contents of the resolution of merger or division of the Company shall constitute special documents which shall be available for inspection by the shareholders.

Such special documents shall be sent by mail to holders of overseas-listed foreign shares at the addresses shown in the register of members.

Article 170

The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days from the date of the Company's merger resolution passed and shall publish a notice in a newspaper at least three times within thirty days from the date of the Company's merger resolution passed.

At the time of merger, rights and indebtedness of each of the merged parties shall be assumed by the company continues to operate after the merger or the newly established company.

Article 171

Where there is a division of the Company, its assets shall be divided up accordingly.

In the event of division of the Company, the parties to such division shall execute a division agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days from the date of the Company's division resolution passed and shall publish a notice in respect of such division in a newspaper at least three times within thirty days from the date of the Company's division resolution passed.

The liability for the debts accumulated before the Company is divided shall be

borne by the company continues to operate after the division in accordance with the agreement previously entered into.

#### Article 172

The Company shall, in accordance with law, file with the companies registration authority any change in its registration details as a result of any merger or division. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with law. Where a new company is established, the Company shall apply for registration thereof in accordance with law.

## **Chapter 21 Dissolution and Liquidation**

#### Article 173

The Company shall be dissolved and liquidated in accordance with law upon the occurrence of any of the following events:

- (1) a resolution for dissolution is passed by shareholders at a general meeting;
- (2) dissolution is necessary due to a merger or division of the Company;
- (3) the Company is declared insolvent in accordance with law due to its failure to settle its due debts;
- (4) the Company is ordered to close down in accordance with law due to its violation of laws or administrative regulations.

#### Article 174

In the case of the Company being dissolved in accordance with the provisions of item (1) of the preceding Article, the Company shall, within fifteen days, establish a liquidation committee, the members of which shall be determined at the general meeting by way of an ordinary resolution.

In the case of the Company being dissolved in accordance with the provisions of item (3) of the preceding Article, the people's court shall, in accordance with the requirements of the relevant laws, establish a liquidation committee, by the relevant competent authorities with shareholders, representatives from relevant authorities and relevant professionals as its members to conduct the liquidation.

In the case of the Company being dissolved in accordance with the provisions of item (4) of the preceding Article, the competent authorities shall establish a liquidation committee with shareholders, representatives from relevant authorities and relevant professionals as its members to conduct the liquidation.

#### Article 175

Where the Board of Directors proposes to liquidate the Company for any reason other than the Company's declaration of its own insolvency, the Board shall include a

statement in its notice convening a general meeting stating that, after making full inquiry into the affairs of the Company, the Board of Directors is of the opinion that the Company will be able to pay its debts in full within twelve months from the commencement of the liquidation.

Upon the passing of the resolution at a general meeting for the liquidation, all functions and powers of the Board of Directors shall cease forthwith.

The liquidation committee shall act in accordance with the instructions of the general meeting to submit at least one report every year to the general meeting on the committee's income and expenses, the business of the Company and the progress of the liquidation; and to present a final report to the general meeting on completion of the liquidation.

#### Article 176

The liquidation committee shall, within ten days of its establishment, send notices to creditors and shall, within sixty days of its establishment, publish an announcement in a newspaper at least three times.

A creditor shall, within thirty days of receipt of the notice, or for creditors who have not personally received such notice, within ninety days of the date of the first public announcement, report its rights to the liquidation committee. When reporting his rights, the creditor shall provide an account of the debts together with evidence. The liquidation committee shall register the creditor's rights.

#### Article 177

During the liquidation period, the liquidation committee shall discharge the following functions:

- (1) sorting out the Company's assets and preparing a balance sheet and an inventory of assets respectively;
- (2) giving notice to the creditors or causing a public announcement to be published;
- (3) disposing and liquidating any unfinished businesses of the Company;
- (4) paying all outstanding taxes;
- (5) settling claims and debts;
- (6) dealing with the surplus assets remaining after the Company's debts have been repaid;
- (7) representing the Company in any civil proceedings.

#### Article 178

After it has sorted out the Company's assets and prepared the balance sheet and an



inventory of assets, the liquidation committee shall formulate a liquidation plan and present it to a general meeting or to the relevant competent authority for confirmation.

The Company's assets shall be distributed in accordance with the sequence stipulated by law and regulation. If there is no applicable law, such distribution shall be carried out in accordance with a fair and reasonable procedure determined by the liquidation committee.

Any surplus assets of the Company remaining after its debts have been repaid in accordance with the provisions of the preceding paragraph shall be distributed to its shareholders according to the class of shares and the proportion of shares held.

During the liquidation period, the Company shall not commence any new business activities.

#### Article 179

For a liquidation arising from the Company's dissolution, if after liquidating the Company's assets and a balance sheet and an inventory of assets being prepared, the liquidation committee discovers that the Company's assets are insufficient to repay the Company's debts in full, the liquidation committee shall immediately apply to the people's court for a declaration of insolvency.

After the Company is declared insolvent by a ruling of the people's court, the liquidation committee shall transfer all matters arising from the liquidation to the people's court.

#### Article 180

Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, a statement of income and expenses received and made during the liquidation period and a financial report, which shall be verified by a Chinese registered accountant and submitted to the general meeting or the relevant competent authority for confirmation.

The liquidation committee shall, within thirty days after such confirmation, submit the documents referred to in the preceding paragraph to the companies registration authority, apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

## **Chapter 22 Procedures for Amendment of the Company's Articles of Association**

#### Article 181

The Company may amend its Articles of Association in accordance with the requirements of laws, administrative regulations and the Company's Articles of Association.

#### Article 182

The Company's Articles of Association shall be amended in the following manner:

- (1) the Board of Directors shall propose amendments to the Company's Article of Association;
- (2) the foregoing proposal shall be furnished to the shareholders in writing and a general meeting shall be convened;
- (3) the amendments shall be approved by votes representing more than two-thirds of the voting rights of the shareholders present at the general meeting.

#### Article 183

Amendment of the Company's Articles of Association in accordance with the Mandatory Provisions of Overseas-Listed Companies' Articles of Association (signed by the Securities Committee of the State Council and the Economic Reform Committee of the State on 27 August 1994) ("Mandatory Provisions") shall become effective upon receipt of approvals from the approving department authorised by the State Council. If there is any change in the registration particulars of the Company, application shall be made for change in registration in accordance with law.

### **Chapter 23 Dispute Resolution**

#### Article 184

The Company shall abide by the following principles for dispute resolution:

- (1) Whenever any disputes or claims of rights arise between: holders of the overseas-listed foreign shares and the Company; holders of the overseas-listed foreign shares and the Company's directors, supervisors, general manager, financial controller or other officers; or holders of the overseas-listed foreign shares and holders of the domestic shares, in respect of any rights or obligations arising from the Company's Articles of Association, the Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims of rights shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim of rights or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim of rights or whose participation is necessary for the resolution of such dispute or claim of rights, shall, where such person is the Company, the Company's shareholders, directors, supervisors, general manager, financial controller or other officers, comply with the arbitration.

Disputes in respect of the definition of shareholders and disputes in relation to the register of members need not be resolved by arbitration.

- (2) A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim of rights to arbitration, the other party must proceed with the arbitral body elected by the claimant.

If a claimant elects for arbitration to be carried out at Hong Kong International Arbitration Centre, any party to the dispute or claim of rights may apply for the proceedings to take place in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

- (3) If any disputes or claims of rights arising from sub-paragraph (1) of this Article are settled by way of arbitration, the laws of the PRC shall apply, save as otherwise provided in the laws and administrative regulations.
- (4) The award of the arbitral body shall be final and conclusive and binding on all parties.

## **Chapter 24 Notice**

### Article 185

Unless otherwise provided, any notice or report which is required or permitted to be published by the Company by way of an announcement shall be published on at least one national newspaper designated by the securities regulatory authority of the State Council and, where possible, shall be published on one major English and one major Chinese newspaper in Hong Kong in English and Chinese respectively on the same day.

### Article 186

Unless otherwise provided in the Company's Articles of Association, notices, information or written statements issued by the Company to holders of overseas-listed foreign shares, shall be delivered in person to the address of each of such shareholders as shown in the register, or sent by post to each of such shareholders.

Notices to be issued to holders of domestic shares shall be published by way of an announcement on any one or more newspapers designated by the securities regulatory authority of the State Council. All holders of domestic shares shall be deemed to have received such notices once the announcement is published.

### Article 187

All notices which are to be sent by post shall be put in a prepaid envelope clearly addressed. Such letters of notice shall be deemed to have been received by shareholders 5 days after being put into mail.

### Article 188

Any notice, document, information or written statement from the shareholders or directors to the Company shall be delivered in person or sent by registered mail to the

registered address of the Company.

Article 189

Shareholders or directors shall provide evidence showing that such notices, documents, information or written statements have been sent to the Company by usual delivery method within a designated time period, or sent to the correct address with postage pre-paid to prove that certain notices, documents, information or written statements have been sent to the Company.

## **Chapter 25 Supplementary**

Article 190

In the Company's Articles of Association, references to "accounting firm" shall have the same meaning as "auditor".

Article 191

The Company's Articles of Association are written in Chinese.

Shareholders' signature:

Zhejiang RuiYuan Intelligent Robot Company Limited

(浙江瑞远机器人股份有限公司) (Stamp: )

Qi Yong Qiang (齐勇强) (Signature: )