

*The English version of these Articles of Association is for reference only. In case of any inconsistency with the Chinese version, the Chinese version shall prevail.*

## **ARTICLES OF ASSOCIATION**

**OF**



**洛陽欒川鉬業集團股份有限公司**  
**China Molybdenum Co., Ltd. \***

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 03993)

(adopted by special resolution passed on 19 October 2006)  
(amended by special resolution passed on 2 June 2009)

It is a conformed copy not formally adopted by shareholders at general meeting

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## Chapter 1 General Provisions

- Article 1 This Articles of Association is formulated in accordance with the provisions of the Company Law of The People's Republic of China (hereinafter referred to as "the Company Law"), Articles of Association of Companies Seeking a Listing Outside the PRC Prerequisite Clauses (hereinafter referred to as "the Prerequisite Clauses") and other state laws and regulations, in order to protect the lawful rights and interests of the Company as well as the shareholders and debtors thereof, and to regulate the organization and conduct of the Company.
- Article 2 China Molybdenum Co., Ltd. (hereinafter referred to as "the Company") is a joint stock limited company established in accordance with The Company Law, The Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Stocks by Joint Stock Limited Companies (hereinafter referred to as "the Special Provisions") and other relevant state laws and administrative regulations.
- The Company was established as a joint stock limited company by means of sponsorship on August 25, 2006, was registered at Luoyang Administration for Industry and Commerce, and obtained a company's business license. The number of the Company's business license is 4103001000907.
- The sponsors of the Company are Luoyang Mining Group Co., Ltd. and Cathay Fortune Corp Group Co., Ltd.
- Article 3 The registered name of the Company: 洛陽欒川鋁業集團股份有限公司  
English name: China Molybdenum Co., Ltd.
- Article 4 The domicile of the Company is North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province, the PRC  
Postal code: 471500  
Telephone number: 86-379-66819819  
Fax number: 86-379-66824500
- Article 5 The registered capital of the Company is RMB 975,234,105. If the Company increases capital by issuing foreign investment shares listed outside the People's Republic of China or implements the over-allotment option, the registered capital of the Company shall be changed accordingly and reported to relevant government departments for registration in accordance with the provisions of the state laws and

administrative regulations.

Article 6 The Company is a company limited by shares existing in perpetuity.

Article 7 The legal representative of the Company shall be the chairman of its board of directors.

Article 8 All the Company's assets are divided into equal shares. Each shareholder is responsible to the Company up to his subscribed shares, and the Company is responsible for its debts up to its total assets.

Article 9 The Articles of Association of the Company (hereinafter referred to as "the Articles of the Company" or "the Articles") is formulated by the Company in accordance with the relevant provisions of the Company Law, the Special Provisions, the Prerequisite Clauses and other state laws, administrative regulations, by amending the former Articles of Association of the Company (hereinafter referred to as "the former Articles").

The Articles shall come into effect on the day of listing at The Stock Exchange of Hong Kong Limited (hereinafter referred to as "SEHK"), following the consent of the shareholders' general meeting in terms of special resolution, the approval of the companies approval department licensed by the State Council and the completed issue of the foreign investment shares listed outside the PRC. After the Articles become effective, the former Articles shall be replaced by the Articles. After the effective day, the Articles of the Company shall become the legally binding document which regulates the organization and conduct of the Company, the rights and liabilities between the Company and the shareholders thereof, and among the shareholders thereof.

Article 10 The Articles of the Company shall become the legally binding document for the Company, shareholders, directors, supervisors, general manager and senior management personnel; all said persons shall have the right to make claims related to Company matters in accordance with the Articles of the Company.

In accordance with the Articles of the Company, shareholders can sue the Company, the Company can sue shareholders, shareholders can sue other shareholders, and shareholders can sue directors, supervisors, general manager and other senior management personnel of the Company. In the Articles, other senior management personnel refers to the deputy general manager, the secretary to the board of directors, the person in charge of finance, the person in charge of legal affairs and other senior management

personnel appointed by the board of directors.

The prosecution mentioned in the preceding paragraph includes the suits brought up to the courts or the arbitration applied for to arbitration institutes.

Article 11           The Company may invest in other limited liability companies and joint stock limited companies. It shall be liable for such invested companies to the extent of the amount of investment.

## **Chapter 2    Purpose and Scope of Business**

Article 12           The business purpose of the Company is to implement scientific management and good service, optimize the shareholders' interests, serve the clients and contribute to the society, based on the principles of socialist marketing economy, in accordance with the guidelines of People-oriented, standardized operation, innovation and steady development.

Article 13           The business scope of the Company shall be in accordance with the items approved by the company registry.

The business scope of the Company shall include: mining, smelting and deep processing of the tungsten and molybdenum product series; export of molybdenum product series and chemical products (except hazardous chemicals and products inflammable, explosive and easy to produce drugs); import of raw and auxiliary materials, machinery and equipment, instrumentation and spare parts needed for the production; accommodation and diet (limited to qualified branch institutions). (The above imported and exported items shall be operated with certificates.)

## **Chapter 3    Shares**

### **Section 1    Issuing of Shares**

Article 14           The Company shares shall be in the form of share certificates.

Article 15           The Company shall have ordinary shares at all times. The Company may, in accordance with the needs thereof, have other kinds of shares, subject to approval by the authorities that are authorized by the State Council to examine and approve companies.

Article 16           Issuing of the Company shares shall adopt an open, fair and just principle. Shares of the same type shall have equal rights.

During the issuance of the same type of shares, each share shall have the same conditions of issuance and price. Any such share subscribed by any unit or individual shall charge the same price.

Article 17 All the shares issued by the Company shall have a par value which shall be RMB 0.2 for each share.

Article 18 The Company may issue shares to investors inside the People's Republic of China and to investors outside the People's Republic of China following approval from the State Council authorities in charge of securities.

For the purposes of the preceding paragraph, the term "investors outside the People's Republic of China" shall refer to investors from foreign countries or from Hong Kong, Macao or Taiwan that subscribe for shares issued by the Company, and the term "investors from inside the People's Republic of China" shall refer to investors inside the People's Republic of China, excluding the above-mentioned regions, that subscribe for shares issued by the Company.

Article 19 Shares issued by the Company to investors inside the People's Republic of China and to be subscribed for in RMB shall be referred to as "domestic investment shares". Shares issued by the Company to investors outside the People's Republic of China and to be subscribed for in foreign currency shall be referred to as "foreign investment shares". Foreign investment shares listed outside the People's Republic of China shall be referred to as "foreign investment shares listed outside the People's Republic of China".

Article 20 The total amount of ordinary shares that the Company is approved to issue is 736,842,105. The number of shares issued to the sponsors at the time of establishment is 700,000,000, with the par value of each share being RMB 1, of which 357,000,000 shares are subscribed by Luoyang Mining Group Co., Ltd. and 343,000,000 shares are subscribed by Cathay Fortune Corp Group Co., Ltd. The above shares are all ordinary shares.

Following the approval of the first interim shareholders' general meeting of the Company in 2006, the Company issued 36,842,105 shares with par value of RMB 1 directly to Luoyang China Molybdenum Investment Co., Ltd. Luoyang China Molybdenum Investment Co., Ltd. subscribed for the issued shares with cash.

In September 2006, Luoyang China Molybdenum Investment Co., Ltd. transferred 26,157,895 shares of its holding shares of the Company to Luoyang Mining Group Co., Ltd. and 10,684,210 shares to Cathay Fortune Corp Group Co., Ltd.

#### Article 21

Following the approval of the State Council authorities in charge of securities, the Company can issue foreign investment shares listed outside the People's Republic of China. The state-owned shareholders of the Company shall, in accordance with the relevant provisions of reducing state-owned shares and the commission of the National Council for Social Security Fund, reduce state-owned shares when foreign investment shares listed outside the People's Republic of China are issued, and, based on the conditions of the market, over-allot not more than 15.0% of foreign investment shares listed outside the People's Republic of China.

Following the approval of China Securities Regulatory Commission and other authorized regulatory authorities, the Company shall implement subdivision of shares when foreign investment shares listed outside the People's Republic of China are issued, and subdivide each share into 5 shares. The par value of each share shall change from RMB 1 to RMB 0.2.

If the subdivision of shares is approved by China Securities Regulatory Commission and other authorized regulatory authorities, and if after the issuance of foreign investment shares listed outside the People's Republic of China, the over-allotment option is not implemented, the composition of the Company's share capital shall be as follows: 4,767,810,525 ordinary shares, of which Luoyang Mining Group Co., Ltd. holds 1,807,429,475 shares, Cathay Fortune Corp Group Co., Ltd. holds 1,768,421,050 shares and shareholders of foreign investment shares listed outside the People's Republic of China hold 1,191,960,000 shares, which account for 25.00% of the total number of ordinary shares that may be issued by the Company.

After the Company's over-allotment of about 10%, the composition of the Company's share capital shall be as follows: 4,876,170,525 ordinary shares, of which Luoyang Mining Group Co., Ltd. holds 1,796,593,475 shares, Cathay Fortune Corp Group Co., Ltd. holds 1,768,421,050 shares and shareholders of foreign investment shares listed outside the People's Republic of China hold 1,311,156,000 shares, which account for 26.88% of the total number of ordinary shares that may be issued by the Company.

Shareholders of domestic investment shares and shareholders of foreign investment shares listed outside the People's Republic of China shall be

deemed as shareholders of different categories. Following the approval of the securities regulatory authorities of the State Council, shareholders of domestic investment shares can transfer the shares held thereby to investors outside the People's Republic of China, which can be listed and traded abroad. If the transferred shares are listed in stock exchange abroad, the regulatory procedures, rules and requirements of the foreign stock market shall be complied with. A separate meeting of shareholders for resolution is not necessary to address the situation where the transferred shares are listed in stock exchange abroad.

Article 22 After the plan for issuing foreign investment shares listed outside the People's Republic of China and domestic investment shares has been approved by the State Council authorities in charge of securities, the board of directors of the Company may arrange for implementation of the respective separate issues.

The Company's plan of issuing foreign investment shares listed outside the People's Republic of China and domestic investment shares in accordance with the preceding paragraph may be implemented within 15 months of being approved by the State Council authorities in charge of securities.

Article 23 Where the Company issues foreign investment shares listed outside the People's Republic of China and domestic investment shares separately within the total number of shares specified in the issue plan, every such issue shall be fully subscribed for in one time. Where special circumstances make it impossible for every such issue to be fully subscribed for at one time, the shares may be issued in several stages, subject to the approval of the State Council authorities in charge of securities.

## **Section 2 Increase, Decrease and Buy-back of Shares**

Article 24 The Company may, in accordance with its business and development requirements and the provisions of laws, regulations and the Articles of the Company, subject to separate resolution of the shareholders' general meeting, approve capital increases in terms of the following methods:

1. offer of new shares to specific investors;
2. offer of new shares to non-specific investors;
3. allotment of new shares to existing shareholders;



4. offer of bonus shares to existing shareholders;
5. capitalization of capital reserve;
6. issuance of convertible company bonds;
7. Employee Stock Ownership Plan made in accordance with laws, to issue shares to employees or institutions where employees own stocks;
8. other methods stipulated and permitted by laws and administrative regulations.

The Company's increase of its capital by issuing new shares shall be handled in accordance with relevant state laws and administrative regulations after having been approved in accordance with the Articles of the Company.

Article 25 The Company may reduce its registered capital in accordance with the provisions of the Articles of the Company. If the Company wishes to decrease its registered capital, it shall proceed in accordance with The Company Law, related regulations and the procedures provided in the Articles of the Company.

Article 26 When the Company reduces its registered capital, it must prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within 10 days of adopting the resolution to reduce its registered capital and shall publish a public announcement of the resolution in newspapers at least three times within 30 days of the said date. Creditors shall, within 30 days of receiving a written notice or within 90 days of the date of the first public announcement for those who have not received a written notice, be entitled to require the Company to pay its debts in full or to provide a corresponding guarantee for repayment.

The reduced registered capital of the Company may not be less than the statutory minimum.

Article 27 In accordance with the provisions of the state laws, administrative regulations, department rules and the Articles of the Company, the Company may, after the approval by the procedures provided in the Articles of the Company and the submission to and approval by the relevant State authorities, buy back its own issued shares in the following

circumstances:

1. cancellation of shares in order to reduce its capital;
2. merger with another company holding shares in the Company;
3. as a token of reward, to give shares to the staff of the Company;
4. a shareholder requests the Company to buy back his share during the shareholders' general meeting due to opposition against the Company's merger or division.

Except the above circumstances, the Company shall not buy or sell its own shares.

Article 28

If the Company buys back its shares by reason of Article 27 (1) to (3), this shall be approved by a shareholders' general meeting. If the Company buys back its shares in accordance with Article 27 (1), it shall cancel the shares within 10 days; if it is in accordance with Article 27 (2) or (4), the shares shall be canceled or transferred within 6 months.

If the Company buys back its shares in accordance with Article 27 (3), the shares bought back shall not exceed 5% of the total issued shares of the Company. The fund used to buy back the shares shall come from the Company's after-tax profits. Shares bought back shall be transferred to the staff within a year.

Article 29

After the Company is approved by relevant State authorities to buy back its own shares, it may proceed in any of the following manners:

1. making of a buy-back offer in the same proportion to all shareholders;
2. buy-back through open transactions on a securities exchange;
3. buy-back by an agreement outside a securities exchange.

Article 30

When the Company is to buy back shares by an agreement outside a securities exchange, prior approval shall be obtained from the shareholders' general meeting in accordance with the procedures provided in the Articles of the Company. Upon prior approval of the shareholders' general meeting obtained in the same manner, the Company may rescind or change contracts concluded in the manner set forth above or waive any of its rights under such contracts.

For the purposes of the above paragraph, contracts for the buy-back of shares shall include (but not limited to) agreements whereby buy-back obligations are undertaken and buy-back rights are acquired.

The Company shall not assign contracts for the buy-back of its own shares or any of its rights therein.

Article 31 After the Company has bought back its shares according to law, it shall cancel the portion of shares concerned within the period prescribed by laws and administrative regulations and shall apply to the original company registry for registration of the change in registered capital.

The amount of the Company's registered capital shall be reduced by the total par value of the shares cancelled, except the shares bought back in accordance with Article 27 (3).

Article 32 Unless the Company has already entered the liquidation stage, it must comply with the following provisions in buying back its issued public shares:

1. where the Company buys back shares at their par value, the amount thereof shall be deducted from the book balance of distributable profit and/or from the proceeds of a fresh share issue made to buy back the old shares;
2. where the Company buy backs shares at a price higher than their par value, the portion corresponding to their par value shall be deducted from the book balance of distributable profit and/or from the proceeds of a fresh share issue made to buy back the old shares; and the portion in excess of the par value shall be handled according to the following methods:
  - (1) where the shares bought back were issued at their par value, the amount shall be deducted from the book balance of distributable profit;
  - (2) where the shares bought back were issued at a price higher than their par value, the amount shall be deducted from the book balance of distributable profit and/or from the proceeds of a fresh share issue made to buy back the old shares; however, the amount deducted from the proceeds of the fresh share issue shall not exceed the total premium obtained at the time of issuance of the old shares nor may it exceed the amount in the Company's capital common

reserve amount (including the premiums from the fresh share issue) at the time of buy-back;

3. where the Company shall have the right to buy back redeemable shares:
  - (1) if the buy-back is not through market or invitation to bid, the buy-back price must be restrained to some highest price; or
  - (2) if it is by means of public bidding, the relevant invitation to bid must be equally offered to all shareholders.
4. the sums paid by the Company for the purposes set forth below shall be paid out of the Company's distributable profits:
  - (1) acquisition of the right to buy back its own shares;
  - (2) modification of any contract for buy-back of its own shares;
  - (3) release from any of its obligations under any buy-back contract.
5. After the par value of the annulled shares has been deducted from the registered capital of the Company in accordance with relevant regulations, that portion of the amount deducted from the distributable profit and used to buy back shares at the par value of the bought back shares shall be credited to the Company's capital common reserve.

### **Section 3 Financial Assistance for the Purchase of Company Shares**

Article 33 The Company or its subsidiaries shall not at any time provide any form of financial assistance to purchasers or prospective purchasers of the shares of the Company. Purchasers of shares of the Company as referred to above shall include persons that directly or indirectly undertake obligations for the purpose of purchasing shares of the Company.

The Company or its subsidiaries shall not at any time provide any form of financial assistance to the above obligators in order to reduce or discharge their obligations.

The provisions of this Article shall not apply to the circumstances described in Article 35 of this Section.

Article 34

For the purposes of this Section, this term “financial assistance” shall include (but not limited to) the financial assistance in the forms set out below:

1. gift;
2. guarantee (including the undertaking of liability or provisions of property by the guarantor in order to secure the performance of the obligation by the obligator), indemnity (not including, however, indemnity arising from the Company’s own fault), release or waiver of rights;
3. provision of a loan or conclusion of a contract under which the obligations of the Company are to be fulfilled prior to the obligations of the other party to the contract, or a change in the party to such loan or contract as well as the assignment of rights under such loan or contract;
4. any form of financial assistance when the Company is insolvent or has no net assets or when such assistance would lead to a major reduction in the Company’s net assets.

For the purposes of this Section, the term “undertake obligations” shall include the undertaking of an obligation by the obligator by concluding a contract or making an arrangement (whether or not such contract or arrangement is enforceable and whether or not such obligation is undertaken by the obligator individually or jointly with any other person) or by changing its financial position in any other way.

Article 35

The acts listed below shall not be regarded as acts prohibited under Article 33 of this Section:

1. where the Company provides the relevant financial assistance truthfully for the benefit of the Company and the main purpose of the financial assistance is not to purchase shares of the Company, or the financial assistance is an incidental part of an overall plan of the Company;
2. lawful distribution of the Company’s property in the form of dividends;
3. distribution of dividends in the form of shares;
4. reduction of registered capital, buy-back of shares, shareholding structuring, etc., in accordance with the Articles of the Company;

5. provision of a loan by the Company within its scope of business and in the ordinary course of its business (provided that the same does not lead to a reduction in the net assets of the Company or that if the same constitutes a reduction, the financial assistance was paid out of the Company's distributable profits);
6. provision of money by the Company for an employee stock ownership plan (provided that the same does not lead to a reduction in the net assets of the Company or that if the same constitutes a reduction, the financial assistance was paid out of the Company's distributable profits).

#### **Section 4 Share Transfer**

Article 36 Except otherwise provided by laws and administrative regulations, shares of the Company may be transferred freely with no lien attached.

Article 37 The Company shall not accept its shares as security.

Article 38 If a sponsor holds the shares of the Company, he shall not transfer those shares within one year of incorporation of the Company. Shares of the Company issued before public offering shall not be transferred within one year of the date of the listing of the shares of the Company in the stock exchange.

The directors, supervisors, senior management personnel of the Company shall declare to the Company the shares held thereby and any changes thereto. When they are serving at these posts, they shall not transfer more than 25% of the shares of the Company held by them. The shares held shall not be transferred within one year of the date of the listing of the shares of the Company in the stock exchange. After the above personnel leave their posts, they shall not transfer the shares of the Company they hold within six months.

Article 39 Fully paid-up overseas listed shares in Hong Kong can be freely transferrable as in accordance with the Articles; but unless meeting the following conditions, the Board of Directors may refuse to acknowledge any transfer documents without providing any statement of reasons:

- (1) A fee in the amount of HK\$2.50 or a higher amount as agreed by HKEX paid to the Company for the registration of the share transfer documents and other documents associated with the share ownership or that may affect the share ownership;

- (2) Transfer documents only refer to overseas listed foreign shares that are listed in Hong Kong;
- (3) The required stamp duty on the transfer documents has been paid;
- (4) Evidence proving that the assignor has the right to the transfer of shares shall be provided as reasonably required by the Board of Directors;
- (5) In the event of transfer of shares to joint holders, the number of such joint holders shall not exceed 4.
- (6) The shares concerned are free of any lien.

#### **Chapter 4 Share Certificates and Register of Shareholders**

Article 40 The Company's shares shall be in registered form.

In addition to the particulars provided in the Company Law, the share certificates of the Company shall clearly state such other particulars as required to be specified by the securities exchange(s) on which the shares of the Company are listed.

Article 41 The share certificates shall be signed by the chairman of the board. Where the signatures of other senior management staff of the Company are required by the securities exchange(s) on which the Company's shares are listed, the share certificates shall also be signed by such other senior management staff. The share certificates shall become effective after the Company seal is affixed thereto or printed thereon. The affixing of the Company seal should be authorized by the board of directors. The signature of the chairman of the board or of other senior management staff on the share certificates may also be in printed form.

Article 42 The Company shall keep a register of shareholders, in which the following particulars shall be recorded:

1. the name, address (domicile), profession or nature of each shareholder;
2. the category and number of shares held by each shareholder;
3. the amount paid or payable for the shares held by each shareholder;

4. the serial number of the shares held by each shareholder;
5. the date on which each shareholder is registered as a shareholder;
6. the date on which each shareholder ceases to be a shareholder.

The register of shareholders shall be full evidence of shares held by shareholders, unless there is opposite evidence.

Article 43

The Company may, pursuant to an understanding or agreement reached between the State Council authorities in charge of securities and a securities regulatory organization outside the People's Republic of China, keep outside the People's Republic of China its register of shareholders of foreign investment shares listed outside the People's Republic of China, and entrust the administration thereof to an agent outside the People's Republic of China.

The Company shall keep at its domicile a duplicate of the register of shareholders of foreign investment shares listed outside the People's Republic of China. The appointed agent outside the People's Republic of China shall ensure that the register of shareholders of foreign investment shares listed outside the People's Republic of China and its duplicate are consistent at all times.

When the original and duplicate of the register of shareholders of foreign investment shares listed outside the People's Republic of China are inconsistent, the original shall prevail.

Article 44

Among registers of shareholders of foreign investment shares listed outside the People's Republic of China, the original register of shareholders of shares listed at SEHK shall be kept in Hong Kong.

Article 45

The Company shall keep a complete register of shareholders.

The register of shareholders shall include the following parts:

1. a register kept at the Company's domicile other than those provided under Items (2) and (3) of this paragraph;
2. the register(s) of holders of foreign investment shares listed outside the People's Republic of China kept in the place(s) of the stock exchange(s) outside the People's Republic of China on which the shares are listed;



3. registers of shareholders kept in such other places as the board of directors may decide necessary for listing purposes.

Article 46 The various parts of the register of shareholders shall not overlap one another. The transfer of shares registered in a certain part of the register of shareholders shall not, during the continuance of the registration of such shares, be registered in any other part of the register.

Changes and corrections to each part of the register of shareholders shall be carried out in accordance with the laws of the places where each part is kept.

Article 47 No changes resulting from share transfers may be made to the register of shareholders within 30 days prior to a shareholders' general meeting or 5 days prior to the reference date set by the Company for the purpose of distribution of dividends.

Article 48 Any person that challenges the register of shareholders and requires his name to be entered into or removed from the register may apply to a competent people's court for correction of the register.

Article 49 Any shareholder who is registered in the register of shareholders or requires his name to be entered into the register of shareholders may apply to the Company for issuance of a replacement certificate in respect of such shares (herein after referred as "Relevant Shares") if his share certificate (herein after referred as "Original Share Certificate") is lost.

Applications for the replacement of share certificates from holders of domestic investment shares shall be dealt with in accordance with Article 144 of the Company Law.

Applications for the replacement of share certificates from holders of foreign investment shares listed outside the People's Republic of China shall be dealt with in accordance with the laws, securities exchange regulations and other relevant regulations of the place where the original register of holders of foreign investment shares listed outside the People's Republic of China is kept.

Where holders of H shares apply for replacement of their certificates, such replacement shall comply with the following requirements:

1. The applicant shall submit the application in the form prescribed by the Company accompanied by a notarial certificate or statutory

declaration. The notarial certificate or statutory declaration shall include the applicant's reason for the application, the circumstances and proof of the loss of the share certificate and a declaration that no other person may require registration as a shareholder in respect of the Relevant Shares.

2. The Company shall not have received any declaration requiring registration as a shareholder in respect of the shares from any person other than the applicant before it decides to issue a replacement share certificate.
3. If the Company decides to issue a replacement share certificate to the applicant, it shall publish a public announcement of its intention to do so in the newspapers or periodicals designated by the board of directors; the period of the public announcement shall be 90 days, during which such announcement shall be published repeatedly at least once every 30 days.
4. Before publishing the public announcement of its intention to issue a replacement share certificate, the Company shall submit a copy of the announcement to be published to the securities exchange where it is listed and may proceed with publication after having received a reply from the securities exchange confirming that the announcement has been displayed in the securities exchange. The Company shall display the public announcement in the securities exchange for a period of 90 days. If the application for issuance of a replacement share certificate was made without consent of the registered holder of the Relevant Shares, the Company shall mail to such shareholder a copy of the public announcement that it intends to publish.
5. At the expiration of the 90-day period provided in Items (3) and (4) under this Article, if the Company has not received any objection to the issuance of a replacement share certificate from any person, it may issue a replacement share certificate according to the application of the applicant.
6. When the Company issues a replacement share certificate under this Article, it shall immediately cancel the original share certificate and record such cancellation and the issuance of the replacement share certificate in the register of shareholders.
7. All expenses of the Company for the cancellation of the original share certificate and the issuance of a replacement share certificate

shall be borne by the applicant. The Company shall be entitled to refuse to take any action until the applicant has provided reasonable security.

Article 50 After the Company has issued a replacement share certificate in accordance with its Articles of Association, it shall not delete from the register of shareholders the name of a bona fide purchaser of the replacement share certificate mentioned above or of a shareholder that is subsequently registered as the owner of the shares (provided that he is a bona fide purchaser).

Article 51 The Company shall not be liable for any damages suffered by any person from the cancellation of the original share certificate or the issuance of the replacement share certificate, unless the claimant can prove fraud on the part of the Company.

## **Chapter 5 Shareholders and the Shareholder's Meeting**

### **Section 1 Shareholders**

Article 52 The Company's shareholders are persons that lawfully hold shares of the Company and whose names are entered in the register of shareholders. Shareholders shall enjoy rights and have obligations according to the category and number of shares held by them. Holders of shares of the same category shall enjoy equal rights and have equal obligations.

Article 53 When the Company is to convene the shareholders' general meeting, distribute dividends, be liquidated or carry out other acts requiring confirming of shareholders' identity, the board of directors or the convener of the shareholders' general meeting shall decide a date for determination of equity interests. Shareholders whose names appear on the register at the end of that day shall be the shareholders of the Company.

Article 54 Holders of ordinary shares of the Company shall enjoy the following rights:

1. collect dividends and other profit distributions on the basis of the number of shares held by them;
2. participate or to appoint proxies to request, convene, hold or participate in the shareholders' general meetings and exercise voting rights;

3. supervise the Company's business activities, and raise suggestions and inquiries;
4. transfer, grant or pledge shares in accordance with laws, administrative regulations and the Articles of the Company;
5. obtain relevant information in accordance with the Articles of the Company, which shall include:
  - (1) obtaining the Articles of the Company after payment of costs;
  - (2) being entitled to browse and make copies after payment of reasonable charges, of:
    - (a) all parts of the register of shareholders;
    - (b) personal information of the directors, supervisors, managers and other senior management staff of the Company, including:
      - 1) current and previous names and aliases;
      - 2) main address (domicile);
      - 3) nationality;
      - 4) full-time and all other part-time occupations and duties; and
      - 5) identification documents and their numbers.
    - (c) the status of the Company's share capital;
    - (d) reports of the aggregate par value, number of shares, and highest and lowest prices of each category of shares bought back by the Company since the last fiscal year as well as all the expenses paid by the Company therefor;
    - (e) the minutes of shareholders' general meetings;
    - (f) bond record of the Company;
    - (g) financial and accounting report of the Company.
6. participate in the distribution of the remaining property of the Company according to their shareholding when the Company is terminated or liquidated;
7. request the Company to buy back his shares if a shareholder opposes the merger or division of the Company at the shareholders' general meeting;
8. other rights conferred by laws, administrative regulations and the Articles of the Company.

If a person who directly or indirectly owns the rights and interests of the shares fails to disclose his rights and interests to the Company, the Company shall not freeze or in any way damage any rights or interests attached to his shares solely because of this.

Article 55 When a shareholder submits a request to inspect the information under the preceding Article, he shall present the proof of the type and number of shareholding in writing. The Company shall comply with the shareholder's request after verifying the shareholder's identity.

Article 56 If a resolution of the Company's meetings of the shareholders or the board of directors contravenes the law and administrative regulations, it shall be void.

If the convening procedures or the voting methods of the Company's meetings of the shareholders or the board of directors contravenes the law, administrative regulations or the Articles, or the contents of the decision contravenes the Articles, the shareholders shall have the right to request the People's Court to revoke the decision within 60 days of the decision.

Article 57 If a director or a senior management personnel contravenes the provisions of the law, administrative regulations or the Articles when carrying out his duties in the Company and resulting losses to the Company, shareholders individually or collectively holding 1% or more of shares continuously for 180 days, can request the board of supervisors in writing to commence litigation at the People's Court. If the board of supervisors contravenes the provisions of the law, administrative regulations and the Articles when carrying out its duties in the Company, resulting losses to the Company, shareholders can request the board of directors in writing to commence litigation at the People's Court.

If the board of supervisors or the board of directors refuses to commence litigation after receiving the shareholders' written request or fails to commence litigation within 30 days of receiving the request, or the situation is so urgent that without commencing litigation immediately will cause irreparable losses to the Company, the shareholders under the previous paragraph may commence litigation in their own names at the People's Court for the sake of the Company's interests.

If any person contravenes the legal interests of the Company and leads to the losses of the Company, a shareholder under the first paragraph can start litigation at the People's Court in accordance with the two preceding paragraphs.

Article 58 If a director or senior management personnel contravenes the provisions of the law, administrative regulations and the Articles, resulting in losses suffered by the shareholders, shareholders may commence litigation at the People's Court.

Article 59 Holders of ordinary shares of the Company shall have the following obligations:

1. to abide by laws, administrative regulations and the Articles;
2. to pay subscription fees based on the shares subscribed by them and the method of capital contribution;
3. not to give up those shares except as prescribed by laws or administrative regulations;
4. not to abuse the shareholders' rights to damage the Company's or other shareholders' interests; not to abuse the independent legal personality of the Company and the limited liabilities of the shareholders to damage the interests of the creditors.

A shareholder, who abuses his shareholder's rights, resulting in losses suffered by the Company or other shareholders, shall compensate in accordance with the law.

Shareholders who abuse the independent legal personality of the Company and the limited liabilities of the shareholders, in order to escape from debts, thereby seriously damaging the interests of the Company's creditors, shall be jointly and severally to bear the Company's debts.

5. other obligations imposed by laws, administrative regulations and the Articles of the Company.

Shareholders shall not bear any liability for further contribution to share capital other than the conditions agreed to by the subscriber of the relevant shares on subscription.

Article 60 In addition to obligations imposed by laws, administrative regulations or the listing rules of the securities exchange(s) on which the shares of the Company are listed, controlling shareholders may not, in the exercise of their shareholders' powers, make decisions prejudicial to the interests of all or part of the shareholders as a result of the exercise of their voting rights on the issues set forth below:

1. relieving a director or supervisor of the responsibility to act honestly in the best interest of the Company;
2. approving a director or supervisor (for his own or another person's benefit) of depriving the Company of its property in any way, including (but not limited to) any opportunities that are favorable to the Company;
3. approving a director or supervisor (for his own or another person's benefit) of depriving other shareholders of their rights or interests, including (but not limited to) rights to distributions and voting rights, but excluding a restructuring of the Company submitted to and adopted by the shareholders' general meeting in accordance with the Articles of the Company.

Article 61

For the purposes of the preceding Article, the term "controlling shareholder" shall refer to a person that satisfies any of the following conditions:

1. he, acting alone or in concert with others, has the power to elect more than half of the number of the directors;
2. he, acting alone or in concert with others, has the power to exercise or control the exercise of 30% or more of the Company's voting rights;
3. he, acting alone or in concert with others, holds 30% or more of the issued public shares of the Company;
4. he, acting alone or in concert with others, actually controls the Company in any other manner.

Article 62

The controlling shareholder and person with actual control of the Company have a duty of honesty towards the Company and all the shareholders of the Company. The controlling shareholder shall exercise his rights as a provider of capital strictly in accordance with the law. The controlling shareholder shall not make use of methods such as the distribution of profits, restructuring of assets, external investment, misappropriation of assets, borrowing, or providing guarantee, in order to damage the legal rights and interests of the Company and other shareholders, and he shall not make use of his controlling position to damage the interests of the Company and other shareholders.

## **Section 2      General Provisions of the Shareholders' General Meeting**

Article 63            The shareholders' general meeting shall be the organ of authority of the Company and shall, in accordance with the law, exercise the following functions and powers:

1.      decide on the business policies and investment plans of the Company;
2.      elect and replace directors and supervisors who are not staff representatives, and decide on matters concerning the remuneration of directors and supervisors;
3.      examine and approve reports of the board of directors;
4.      examine and approve reports of the board of supervisors;
5.      examine and approve the Company's annual financial budget and final account proposals;
6.      examine and approve the Company's plans for profit distribution and making up losses;
7.      pass resolutions concerning the increase or reduction of the Company's registered capital;
8.      pass resolutions on the issuance of bonds by the Company;
9.      pass resolutions on the merger, division, winding up, liquidation or changing of the form of the Company;
10.     amend the Articles;
11.     pass resolutions on the employment, dismissal or refusal of continuing employment of accounting firms by the Company;
12.     review the guarantees made by the Company within a year which exceeds 30% of the most recently audited total assets of the Company;
13.     review purchases and sales of significant assets within a year which exceeds 30% of the most recently audited total assets of the Company;



14. examine and approve changes in usage of the raised fund;
15. review share incentive plans;
16. examine the motions raised by the shareholders representing 3% or more of the Company's voting shares;
17. other matters that laws, administrative regulations, department rules and the Articles of the Company require to be resolved by the shareholders' general meeting.

The matters that are required to be resolved by the shareholders' general meeting in accordance with laws, administrative regulations, rules, relevant rules of the securities exchange(s) on which the shares of the Company are listed and the Articles of the Company, must be examined and approved by the shareholders' general meeting, in order to secure the shareholders' right to decide on such matters. The shareholders' general meeting shall, under necessary, reasonable and legal circumstances, authorize the board of directors to decide on the matters that are related to the matters discussed at the shareholders' general meeting but cannot or need not to be decided immediately at the shareholders' general meeting.

The authorization to the board of directors by the shareholders' general meeting shall be approved by more than 50% of the voting rights of shareholders (including proxies) present at the shareholders' general meeting if the authorized issues are ordinary resolution issues. If the authorized issues are special resolution issues, the authorization shall be approved by more than two-thirds of the voting rights of shareholders (including proxies) present at the shareholders' general meeting. The authorization shall be concrete and clear.

#### Article 64

The shareholders' general meetings shall include annual shareholders' general meetings and extraordinary shareholders' general meetings. The shareholders' general meetings shall be convened by the board of directors. Annual shareholders' meetings shall be convened once a year and shall be held within six months following the end of the preceding fiscal year.

#### Article 65

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

1. the number of directors is less than the number required under the Company Law or less than two-thirds as prescribed in the Articles;

2. the losses of the Company that have not been made up reach one-third of the total share capital of the Company;
3. shareholders individually or collectively holding more than 10% of the Company's shares require in writing that an extraordinary shareholders' general meeting be convened;
4. the board of directors considers that there is a need;
5. the board of supervisors proposes a meeting;
6. other circumstances prescribed by the law, administrative regulations, department rules or the Articles.

### **Section 3 Convening the Shareholders' General Meeting**

Article 66 More than 2 independent directors shall have the right to suggest to the board of directors to convene extraordinary shareholders' general meetings. Concerning the above request, the board of directors shall, in accordance with the requirements of the law, administrative regulations and the Articles, provide a written opinion to agree or disagree to convene an extraordinary shareholders' general meeting within 10 days of receiving the suggestion.

If the board of directors agrees to convene an extraordinary shareholders' general meeting, it will issue a notice of shareholders' general meeting within 5 days of the decision of the board of directors. If the board of directors does not agree to convene an extraordinary meeting, it shall publicly announce the reasons.

Article 67 If the board of supervisors requests to convene an extraordinary shareholders' general meeting, it shall be handled in accordance with the following procedures:

1. One or more written requests of identical form and substance to be presented to the board of directors to convene an extraordinary shareholders' general meeting shall be signed, with the subject of the meeting clearly stated. The board of directors shall convene the extraordinary shareholders' general meeting as soon as possible after the receipt of the above request;
2. If the board of directors fails to issue a notice of such a meeting within 30 days after having received the above-mentioned written

notice, the board of supervisors who made such request may themselves convene the meeting within four months after the board of directors received the request. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which shareholders' general meetings are to be convened by the board of directors.

Where the board of supervisors convenes and holds a meeting because the board of directors failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors

#### Article 68

Shareholders requesting the convening of an extraordinary shareholders' general meeting or a shareholders' general meeting of different categories shall proceed in accordance with the procedures set forth below:

1. two or more shareholders holding a total of 10% or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the board of directors to convene an extraordinary shareholders' general meeting or a shareholders' general meeting of different categories and stating the subject of the meeting. The board of directors shall convene the shareholders' general meeting or the shareholders' general meeting of different categories as soon as possible after having received the above-mentioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made.
2. if the board of directors fails to issue a notice of such meeting within 30 days after having received the above-mentioned written notice, the shareholders who made such request may themselves convene the meeting within four months after the board of directors received the request. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which shareholders' general meetings are to be convened by the board of directors.

Where shareholders convene and hold a meeting because the board of directors failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors.

Article 69                    When the board of supervisors or shareholders decide(s) to convene a shareholders’ general meeting by themselves, they should inform the board of directors in writing.

Before publicly announcing the decision of the shareholders’ general meeting, the convening shareholders should not hold less than 10% of the shares.

Article 70                    When a shareholders’ general meeting is convened by the board of supervisors or by the shareholders, the board of directors and the secretary to the board of directors shall assist. The board of directors shall provide the register of shareholders on the date of registration of shareholding.

**Section 4                    Resolutions and Notices of Shareholders’ General Meetings**

Article 71                    The contents of the resolutions to be raised should be within the scope of duties of the shareholders’ general meetings. It should have a clear topic and actual issues to be decided, in compliance with the law, administrative regulations and the Articles.

Article 72                    When the Company holds a shareholders’ general meeting, the board of directors, the board of supervisors or shareholders individually or together holding more than 3% of the shares of the Company, can propose resolutions to the company.

Shareholders, individually or together, holding more than 3% of the shares of the Company can submit temporary resolutions in writing to the convener, 10 days before the holding of the shareholders’ general meeting. The convener should issue a supplementary notice of the shareholders’ general meeting within 2 days of receipt of the proposal and publicly announce the contents of the temporary resolutions.

Except as provided in the last paragraph, after the chairman of the meeting publicly issues the notice of the shareholders’ general meeting, he cannot change any resolution or add new resolutions in the notice of shareholders’ general meetings.

If a notice of shareholders’ general meeting does not specify the proposed resolutions or does not comply with Article 71, the shareholders’ general meeting cannot vote and reach a decision.

Article 73                    When the Company is to hold a shareholders’ general meeting, it shall issue a written notice 45 days prior to the meeting informing all the

registered shareholders of the matters to be examined at the meeting as well as the date and place of the meeting. Shareholders that intend to attend the shareholders' general meeting shall, within 20 days prior to the meeting, deliver a written reply to the Company on the meeting attendance.

When the Company calculates the commencement of a period, it does not include the day the meeting is held.

Article 74

Based on the written replies received 20 days prior to a shareholders' general meeting, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may hold the shareholders' general meeting. If not, the Company shall within five days, inform the shareholders once again of the matters to be examined at the meeting as well as the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, the Company may hold the shareholders' general meeting.

Extraordinary shareholders' general meeting may not decide on matters not specified in the notice or announcement.

Article 75

The notice of a shareholders' general meeting shall meet the following requirements:

1. it shall be made in writing;
2. it shall specify the place, date and time of the meeting;
3. it shall describe the matters to be discussed at the meeting;
4. it shall provide to the shareholders the information and explanation necessary for them to make a wise decision on the matters to be discussed. This principal shall apply (but not limited to) when the Company proposes a merger, buy-back of shares, reorganization of share capital or other restructuring, it shall provide the specific conditions and contract (if any) of the transaction under discussions and earnestly explain the cause and result of the transaction;
5. it shall disclose the nature and extent of conflict of interests, if any, of any director, supervisor, general manager or other senior

management staff in any matter to be discussed; and provide an explanation of the difference, if any, between the way in which the matter to be discussed would affect such director, supervisor, general manager or other senior management staff in his capacity as shareholder and the way in which such matter would affect other shareholders of the same category;

6. it shall contain the full text of any special resolution proposed to be adopted at the meeting;
7. it shall contain a clear statement that shareholders entitled to attend and vote have the right to entrust one or more proxies to attend and vote on their behalf and that such proxy need not be a shareholder;
8. it shall state the time and place for the delivery of the meeting's proxy forms;
9. it shall state the date of registration of shareholding of the shareholders, for determining those shareholders entitled to attend the shareholders' general meeting;
10. it shall state the name and telephone number of the permanent contact person concerning meeting matters.

The notice and supplementary notice of the meeting should fully and completely disclose the contents of the resolutions. If a discussion matter requires an opinion from independent directors, the opinion and reasons of independent directors should be disclosed in the notice or supplementary notice of shareholders' general meeting is issued.

#### Article 76

If the shareholders' general meeting intends to discuss the election of directors or supervisors, the notice of the shareholders' general meeting should disclose full information of the candidates for directors and supervisors. The notice should at least include the following:

1. Personal circumstances such as education background, work experience, other simultaneous appointments;
2. Whether there is associate relationship with the Company or a controlling shareholder and person with actual control of the Company;
3. Disclose the number of shares held in the Company;

4. Whether subject to punishment by China Securities Regulatory Commission and other relevant department and sanctioned by the securities exchange.

Each candidate of director or supervisor should be separately proposed.

Article 77 The notice of a shareholders' general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) in accordance with the methods prescribed in Article 223., If the notice is delivered by assigned persons or per-paid mail, it shall be delivered to the recipient's address shown in the register of shareholders. For holders of domestic investment shares, the notice of a shareholders' general meeting may also be given by public announcement.

The public announcement referred to in the preceding paragraph shall be published 45 to 50 days before the meeting is held in one or more newspapers or periodicals designated by the State Council authorities in charge of securities. Once the announcement is made, all holders of domestic investment shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

Article 78 A meeting and the resolutions adopted thereat shall not be invalidated as a result of accidental omission to give notice of the meeting to, or the failure of receiving such notice by, a person entitled to receive such notice.

Article 79 After the issuance of the notice of a shareholders' general meeting, it shall not be postponed or cancelled without proper reasons. Proposals specified in the notice of shareholders' general meeting should not be cancelled. Once a delay or cancellation occurs, the chairman of the meeting should publicly announce and give reasons at least 2 business days before the originally scheduled meeting date.

## **Section 5 Holding of the Shareholders' General Meeting**

Article 80 All shareholders, or their proxies, appearing on the register of shareholders on the date of registration of shareholding, can attend the shareholders' general meeting. They can also exercise voting rights in accordance with the law, regulations and the Articles.

A shareholder can attend the shareholders' general meeting personally or appoint a proxy to attend or vote on his behalf.

Article 81 Any shareholder entitled to attend and vote at a shareholders' general meeting shall have the right to appoint one or more persons (who need not

be shareholders) as his proxies to attend and vote on his behalf. Such proxy may exercise the following rights according to his entrustment by the shareholder:

1. the shareholder's right to speak at the shareholders' general meeting;
2. the right to request by himself or in conjunction with others to make a resolution by voting;
3. the right to vote by raising hands or ballot, except that if a shareholder has appointed more than one proxy, such proxies may only exercise their voting rights by ballot.

Article 82 Shareholders shall entrust their proxies by written instruments that shall be signed by the entrusting parties or such proxies. Where the entrusting party is a legal person, the instrument shall be sealed by the legal person or signed by its director(s) or duly authorized proxies.

Article 83 The authorization letter a shareholder presents to authorize another person to attend the shareholders' general meeting should contain the following contents:

1. Name of the proxy;
2. Whether the proxy has voting rights;
3. Indication of consent, objection or abstention concerning each proposal on the shareholders' general meeting agenda;
4. Date of signing of the authorization letter and validity period;
5. Signature (or chop) of the person making the authorization. If the person making the appointment is a corporate shareholder, it should add the chop of the legal person.

Article 84 The instrument appointing a voting proxy shall be placed at the domicile of the Company or at such other place as specified in the notice of the meeting within 24 hours prior to the meeting at which the proxy is authorized to vote or within 24 hours prior to the specified time of the vote. Where the instrument is signed by another person authorized by the entrusting party, the power of attorney or other document authorizing the signature shall be notarized. The notarized power of attorney or other authorizing document shall be placed together with the instrument



appointing the voting proxy at the domicile of the Company or at such other place as specified in the notice of the meeting.

Where the entrusting party is a corporation, its legal representative or the person authorized by resolution of its board of directors or other decision-making body shall be entitled to attend the Company's shareholders' general meetings as the representative of such legal person.

Article 85 Any form issued by the board of directors of the Company to the shareholders for the appointment of proxies shall give the shareholders free choice to instruct their proxies to cast an affirmative or negative vote and enable the shareholders to give separate instructions on each matter to be voted during discussions at the meeting. The instrument of appointment shall specify that in the absence of instructions from the shareholder, the proxy may vote as he thinks fit.

Article 86 Where the entrusting party has died, lost capacity to revoke the proxy or the signed instrument of appointment, or the relevant shares have been transferred prior to the voting, a vote given in accordance with the terms of instrument of proxy shall remain valid as long as the Company did not receive a written notice of the event before the commencement of the relevant meeting.

Article 87 The meeting registration document containing the people attending the meeting should be made by the Company. The meeting registration document contains the names of persons (or names of organizations) attending the meeting, identity card numbers, residential addresses, the number of shares held or representing the voting rights, and names (or name of organizations) of the proxies.

Article 88 The chairman of the meeting shall verify the legality of shareholders' qualifications according to the register of shareholders. The names of shareholders and their number of shares with voting rights shall be registered. The registration at the meeting should terminate before the chairman of the meeting announces the number of shareholders and proxies attending the meeting and the shares with voting rights held thereby.

Article 89 When a shareholders' general meeting is held, general managers and other senior management personnels can be present at the meeting.

Article 90 The shareholders' general meeting shall be convened and presided over by the chairman of the board. Where the chairman of the board cannot attend such a meeting for any reason, the meeting shall be convened and

presided over by the (a) vice chairman of the board. Where both the chairman and the vice chairman of the board (or vice chairmen of the board) are unable to attend the meeting, the board of directors may designate a director of the Company to convene and preside over the meeting on its behalf. Where no director is designated, the shareholders attending the meeting may elect one person to preside over the meeting. If for any reason the shareholders are unable to elect a chairman, the shareholder holding the largest number of voting shares and attending the meeting (whether in person or by proxy) shall preside over the meeting.

When a shareholders' general meeting is held, if the chairman of the meeting contravenes meeting procedures, making the meeting impossible to proceed, then if exceeding half of the shareholders with voting rights and attending the meeting agree, the shareholders' general meeting can nominate one person as the chairman of the meeting to continue with the meeting.

Article 91 Directors, supervisors, and senior management personnel should explain with respect to questions and suggestions from shareholders at the shareholders' general meeting.

Article 92 The chairman of the meeting should, before voting, announce the number of shareholders and their proxies present in the meeting, as well as their shares held with voting rights. The number of shareholders and their proxies present in the meeting, as well as their shares held with voting rights should be in accordance with those registered at the meeting.

Article 93 The shareholders' general meeting should have minutes prepared by the secretary to the board of directors. The minutes should contain the following contents:

1. Meeting time, site, agenda, and the name of the chairman of the meeting;
2. The name of the chairman of the meeting and the names of the directors, supervisors, general manager, and other senior management personnel attending or present at the meeting;
3. The number of shareholders and proxies present at the meeting as well as their shares held with voting rights, and such shares as a percentage to the total share capital of the Company;
4. The process of examination, main points of address and voting results of each proposal;

5. Shareholders' questions, opinions or suggestions and the corresponding answers or explanations thereto;
6. Names of vote counters and voting supervisors;
7. Other contents to be included in the minutes as specified by the Articles.

Article 94 The chairman shall ensure that the contents of the minutes are true, accurate and complete. Directors, supervisors, secretaries to the board of directors, conveners or their representatives, and the chairman of the meeting present at the meeting should sign their names on the minutes. The minutes should be kept together with the signature book of shareholders present at the meeting and authorization letters of proxies for not less than 10 years.

Article 95 The convener should ensure that the shareholders' general meeting shall be conducted continuously until final decisions are made. If the shareholders' general meeting is suspended or a decision cannot be made by reason of force majeure or other special circumstances, the convener should adopt necessary procedures to resume the meeting or directly terminate that meeting and immediately announce to public.

## **Section 6 Voting and Making Decisions at Shareholders' General Meetings**

Article 96 Resolutions of the shareholders' general meeting can be ordinary resolutions or special resolutions.

Ordinary resolutions of the shareholders' general meeting shall be passed by more than half of the voting rights held by the shareholders (including proxies) present at the meeting.

Special resolutions of the shareholders' general meeting shall be passed by more than two-thirds of the voting rights held by the shareholders (including proxies) present at the meeting.

Article 97 The following matters shall be resolved by way of an ordinary resolution of the shareholders' general meeting:

1. work reports of the board of directors and the board of supervisors;
2. plans for the distribution of profits and making up of losses drafted by the board of directors;

3. the Company's annual budget, final accounts, balance sheet, profit statement and other financial statements;
4. the annual report of the Company; and
5. matters other than those that laws, administrative regulations or the Articles require to be passed by way of a special resolution.

Article 98

The following matters shall be resolved by way of a special resolution of the shareholders' general meeting:

1. appointment and removal of members of the board of directors and the board of supervisors, their remuneration and method of payment of their remuneration;
2. increase or reduction of the Company's registered capital and issuance of any category of shares, warrants or other similar securities;
3. issuance of Company's bonds;
4. division, merger, dissolution and liquidation of the Company;
5. amendment of the Articles of Association;
6. when the company, within one year, buys, or sells significant assets or guarantees an amount exceeding 30% of the most recently audited total assets;
7. share incentive plans;
8. matters as required by laws, administrative regulations or the Articles, or other matters that, as resolved by way of an ordinary resolution of the shareholders' general meeting, may have a significant impact on the Company and require adoption by way of a special resolution.

Article 99

When shareholders (including proxies) vote at the shareholders' general meeting, they shall exercise their voting rights according to the number of voting rights they represent. Each share shall carry one voting right.

Shares held by the company have no voting rights. This portion of shares is not considered as part of the total number of shares with voting rights and present at the shareholders' general meetings.

The board of directors, independent directors and shareholders complying with relevant regulations can accumulate share-voting rights.

Where the Listing Rules provide that any shareholders shall abstain from voting or can only vote for yes (or no) on certain resolution, if the said shareholders violate the relevant regulations or limitations, the votes of the said shareholders or the proxies thereof (provided that the Company is aware of this situation) shall not be counted.

Article 100 When the shareholders' general meeting discusses associated transactions, the associated shareholders shall not participate in the voting. His shares held with voting rights shall not be calculated within the total number of valid votes. The public announcement of shareholders' general meeting resolutions shall fully disclose the voting decisions of the non-associated shareholders. The Company shall, in accordance with the requirements of the securities exchange(s) where the Company is listed, identify the definition and scope of associated shareholders.

Where associated shareholders should withdraw but did not, non-associated shareholders can request for their withdrawal.

Article 101 Without the prior approval of the shareholders' general meeting, the Company may not conclude any contact with any person other than a director, general manager or other senior management personnel of the Company for the delegation of the whole business management or part of the important business management of the Company to that person.

Article 102 The list of candidates for director and supervisor shall be proposed to the shareholders' general meeting for voting. The board of directors and shareholders representing more than 3% of the voting shares of the Company shall have the right to raise relevant resolutions.

When the board of directors raises resolution concerning the candidates for director and supervisor, the written nomination shall, after consulting shareholders for suggestions by the existing board of directors, be submitted to the shareholders' general meeting for election.

The staff representative candidate in the board of supervisor shall be nominated by the Labor Union of the Company and elected directly by the assembly of the worker's representatives of the Company.

Article 103 The shareholders' general meeting will vote on all resolutions individually. If one matter has different resolutions, they will be voted in

the chronological order of the proposals being proposed. The shareholders' general meeting shall not combine or divide each resolution to vote or amend resolutions in any other way. Except under special circumstances such as force majeure, leading to the suspension or inability to make resolutions to make decisions at the shareholders' general meeting, the shareholders' general meeting shall not set aside the resolutions and leave the resolutions undecided.

Article 104 When a shareholders' general meeting examines resolutions, it will not amend resolutions. Otherwise, such changes will be treated as new resolutions and cannot be voted and decided during that shareholders' general meeting.

Article 105 Votes of the shareholders' general meeting shall be taken by raising hands for resolutions, unless the following persons require voting by ballot for resolutions before or after any vote:

1. the chairman of the meeting;
2. at least two shareholders with voting rights or their proxies; or
3. one or several shareholders (including proxies) holding totally or separately 10% or more of the shares carrying the right to vote at the meeting.

Unless a person proposes to vote by ballot, the chairman of the meeting shall declare whether the proposal has been adopted according to the results of the vote by raising hands, and shall record the same in the minutes of the meeting, which shall serve as final evidence without having to state the number or proportion of the votes for or against resolution adopted at the meeting.

The demand for a vote by ballot may be withdrawn by the person who made it.

Article 106 If the matter demanded to be voted upon by ballot is the election of the chairman or the adjournment of the meeting, a ballot shall be taken immediately. If a ballot is demanded for any other matter, such ballot shall be taken at the time decided upon by the chairman and the meeting may proceed with the discussion of other matters; the result of the ballot shall still be regarded as a resolution passed at that meeting.

Article 107 Before the shareholders' general meeting votes on resolutions, the chairman of the meeting shall nominate 2 shareholder representatives to

count and supervise the voting, and declare the number of shares held by the shareholder representative serving as voting supervisor. If the matter to be discussed and a shareholder have conflict of interests, the relevant shareholder and his proxy cannot count or supervise the voting.

Article 108 When a ballot is held, shareholders (including proxies) having the right to two or more votes need not use all of their voting rights in the same way.

Article 109 When the number of votes for and against a resolution is equal, whether the vote is taken by raising hands or by ballot, the chairman of the meeting shall be entitled to one additional vote.

Article 110 The chairman of the meeting shall be responsible for deciding whether or not a resolution of the shareholders' general meeting has been passed. His decision shall be final and shall be announced at the meeting and recorded in the minutes of the meeting.

Article 111 If the chairman of the meeting has any doubts about the result of a resolution put to the vote, he may count the number of votes cast. If the chairman of the meeting fails to count the votes, a shareholder or proxy attending the meeting who challenges the result announced by the chairman of the meeting shall have the right to request counting of votes immediately after such announcement, and the chairman of the meeting shall immediately count the votes.

Article 112 If counting of votes is held at a shareholders' general meeting, the result of the counting shall be recorded in the minutes of the meeting. The minutes of the meeting together with the attendance records signed by the attending shareholders and the authorization letter of the proxies shall be kept at the Company's domicile.

Article 113 Shareholders may examine photocopies of the minutes of meetings during the Company's office hours free of charge. If any shareholder demands from the Company a photocopy of relevant minutes of meetings, the Company shall send such photocopies within seven days of receiving payment of reasonable charges.

Article 114 If a resolution is not passed, or if a resolution of this shareholders' general meeting changes the decision of a resolution of a former shareholders' general meeting, this should be specially noted in the announcement of decisions of the shareholders' general meeting.

Article 115 If a shareholders' general meeting approves resolutions to elect directors or supervisors, the newly appointed directors or supervisors will assume

office after the resolution of the shareholders' general meeting.

Article 116 If a shareholders' general meeting approves proposals concerning the distribution of dividends, bonus shares or increase of share capital by means of converting capital common reserve fund, the Company shall execute detailed plans two months after the conclusion of the shareholders' general meeting.

## **Section 7 Special Voting Procedures for Shareholders of Different Categories**

Article 117 Shareholders who hold different categories of shares shall be shareholders of different categories.

Shareholders of different categories shall enjoy rights and assume obligations in accordance with laws, administrative regulations and the Articles of the Company.

Article 118 If the Company intends to change or abrogate the rights of shareholders of different categories, it may do so only after such change or abrogation has been approved by way of a special resolution of the shareholders' general meeting and by a separate shareholders' general meeting convened by the affected shareholders of different categories in accordance with Articles 120 to 124.

Article 119 The rights of shareholders of a certain category shall be deemed to have been changed or abrogated under the following conditions:

1. an increase or decrease in the number of shares of such category or an increase or decrease in the number of shares of a category having voting rights, distribution rights or other privileges equal or superior to those of the shares of such category;
2. a change of all or part of the shares of such category into shares of another category, a conversion of all or part of the shares of another category into shares of such category or the grant of the right to such change;
3. a removal or reduction of rights to accrued dividends or cumulative dividends attached to shares of such category;
4. a reduction or removal of a dividend preference or property distribution preference during liquidation of the Company, attached to shares of such category;



5. an addition, removal or reduction of share conversion rights, options, voting rights, transfer rights, preemptive rights to rights issues or rights to acquire the Company bonds attached to shares of such category;
6. a removal or reduction of rights to receive amounts payable by the Company in a particular currency attached to shares of such category;
7. a creation of a new category of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of that category;
8. an imposition of restrictions or additional restrictions on the transfer or ownership of shares of such category;
9. an issuance of rights to subscribe for, or convert into, shares of such category or another category;
10. an increase in the rights and privileges of shares of another category;
11. restructuring of the Company causing shareholders of different categories to bear liability of different extents during the restructuring;
12. an amendment or cancellation of the articles of this Chapter.

#### Article 120

Shareholders of the affected category, whether or not otherwise having the right to vote at the shareholders' general meeting, shall have the right to vote at shareholders' general meetings of different categories in respect of matters referred to in Items (2) to (8) or (11) to (12) of Article 119, except that interested shareholders shall not have the right to vote at shareholders' general meetings of different categories.

For the purposes of the preceding paragraph, the term "interested shareholders" shall have the following meanings:

1. if the Company has made a buy-back offer to all shareholders in the same proportion or has bought back its own shares through open transactions on a securities exchange in accordance with Article 29 hereof, the controlling shareholders as defined in Article 61 hereof shall be "interested shareholders";

2. if the Company has bought back its own shares by an agreement outside a securities exchange in accordance with Article 29 hereof, holders of shares in relation to such agreement shall be “interested shareholders”;
3. under a restructuring proposal of the Company, shareholders who will bear liability in a proportion smaller than that of the liability borne by other shareholders of the same category, or shareholders who have different interests from other shareholders of the same category, shall be “interested shareholders”.

Article 121 Resolutions of a shareholders’ general meeting of different categories may be passed only by more than two-thirds of the voting rights of that category represented at the meeting in accordance with Article 120 hereof.

Article 122 When the Company is to hold a shareholders’ general meeting of different categories, it shall issue a written notice 45 days prior to the meeting informing all the registered shareholders of that category of the matters to be examined at the meeting as well as the date and place of the meeting. Shareholders that intend to attend the meeting shall, within 20 days prior to the day of the meeting, deliver a written reply to the Company on meeting attendance.

If the number of share carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that category carrying the right to vote at the meeting, the Company may hold the shareholders’ general meeting of different categories. If not, the Company shall within five days, inform the shareholders once again of the matters to be examined at the meeting and the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, the Company may hold the shareholders’ general meeting of different categories.

Article 123 The notice of a shareholders’ general meeting of different categories needs to be delivered only to the shareholders entitled to vote thereat.

The procedures according to which a shareholders’ general meeting of different categories is held shall, to the extent possible, be identical to the procedures according to which a shareholders’ general meeting is held. Provisions of the Articles of the Company relevant to procedures for the holding of a shareholders’ general meeting shall be applicable to shareholders’ general meetings of different categories.

## Article 124

Apart from other shareholders of different categories, shareholders of domestic investment shares and shareholders of foreign investment shares listed outside the People's Republic of China shall be deemed as shareholders of different categories.

The special voting procedures for shareholders of different categories shall not apply in the following circumstances:

1. where, as approved by way of a special resolution of the shareholders' general meeting, the Company issues, either separately or concurrently, domestic investment shares and foreign investment shares listed outside the People's Republic of China every 12 months, and the number of the domestic investment shares and foreign investment shares listed outside the People's Republic of China intended to be issued does not exceed 20% of the issued and outstanding shares of the respective categories;
2. where the plan for issuance of domestic investment shares and foreign investment shares listed outside the People's Republic of China upon the establishment of the Company is completed within 15 months of being approved by the State Council authorities in charge of the securities; or
3. after being approved by the State Council authorities supervising and regulating the securities, the shareholders of domestic investment shares can transfer their shares to investors outside the People's Republic of China and such shares can be listed outside the People's Republic of China. If such shares are listed at securities exchange(s) outside the People's Republic of China, the supervising and regulating procedures, rules and requirements of the securities exchange(s) outside the People's Republic of China shall be complied with.

## **Chapter 6    The Board of Directors**

### **Section 1    Directors**

## Article 125

A company director is a natural person. The director is elected or replaced by a shareholders' general meeting. Directors need not be the Company's shareholders. Directors include executive directors and non-executive directors, and non-executive directors include independent directors. Executive directors refer to directors who serve at other posts at the Company except as directors, and non-executive directors serve no other posts except as directors. Independent directors refer to people qualified

as independent directors in accordance with the provisions of laws and regulations.

Article 126

Directors shall be elected and replaced by the shareholders' general meeting and serve a term of 3 years. A director may serve consecutive terms if reelected upon the expiration of his term. Before a director's period of service expires, the shareholders' general meeting cannot terminate his duties without a reason.

Written notice concerning the attempt to nominate candidates for directors and the candidates' willingness of accepting the nomination shall be delivered to the Company 7 days prior to the shareholders' general meeting.

The shareholders' general meeting can, in accordance with the provisions of laws and regulations, terminate the duties of any director within his period of service by way of ordinary resolutions.

A director's period of service commences from the date he takes up the appointment, until the current term of service of board of directors completes. If a directors' period of service expires but new directors are not yet appointed, before the newly elected director takes up appointment, the original director(s) shall still carry out directors' duties according to the law, administrative regulations, department regulations and these Articles.

A director's post can also be taken up by a manager or other senior management personnel. But the total number of managers or other senior management personnel who are also directors, plus the number of staff representative directors, cannot exceed half the total number of directors.

Article 127

The director shall comply with the law, administrative regulations and the Articles. He has the following duties of due diligence towards the company:

1. He should be careful, serious and diligent in exercising his authorities conferred by the Company, in order to ensure that the business activities of the Company comply with the state law, administrative regulations and various economic policy requirements of the state, and the business activities cannot exceed the scope of activities specified by the business license;
2. He shall treat all shareholders fairly;

3. He shall carefully read the business and financial reports of the Company and understand the business operation and management circumstances of the Company in a timely manner;
4. He shall sign as confirmation on the periodic reports of the Company. He shall ensure that the information disclosed by the Company is true, accurate, and complete;
5. He shall truthfully supply relevant circumstances and information to the board of supervisors, and shall not interfere with the exercising of duties by the board of supervisors or supervisors; and
6. Other due diligence duties specified by the law, administrative regulations, department regulations and the Articles.

#### Article 128

If a director cannot personally attend two consecutive meetings, and does not appoint other directors to attend board of directors' meeting, he is treated as not being able to carry out his duties. The board of directors should recommend to replace him at the shareholders' general meeting.

In respect of nominating candidates for directors and the candidates' willingness of accepting the nomination, the term of the written notice to the Company shall be not less than 7 days. The commencing date of the said term shall not be earlier than the first day after the issuance of the notice of the shareholders' general meeting and the expiry date thereof shall be no later than 7 days prior to the holding of the shareholders' general meeting.

The members of the board of directors shall remain relatively stable. The number of by-election for the board of directors due to the shortfall thereof shall be no more than 2 persons within a consecutive period of 12 months. The re-election of the board of directors shall not be limited by the provision of this paragraph.

#### Article 129

The director can resign before the expiry of his term of service. When a director resigns, he should submit a written resignation report to the board of directors. The board of directors should disclose the relevant circumstances within 2 days.

If the members of the board of directors fall below the minimum legal requirement due to a director's resignation, before a newly elected director commences appointment, the original director(s) should still carry out the director's duties according to the law, administrative regulations, departmental regulations and the Articles.

Except as specified in the last paragraph, the director's resignation takes effect when his resignation report is delivered to the board of directors.

Article 130 Any person who is appointed as a director by the board of directors to fill the temporary vacancy of the board of directors or the added position at the board of directors, shall serve the office until the next shareholders' general meeting and will have the qualification to continue his service by way of re-election.

Article 131 When a director causes losses suffered by the Company due to his unauthorized absence, he shall bear liabilities to compensate.

If a director cannot resign due to his unfinished duties to the Company or the unfinished audit, he shall bear liabilities to compensate for the losses caused by his unauthorized absence to the Company.

Article 132 In the absence of a legal authorization by the Articles or by the board of directors, no director can use his personal capacity to represent the Company or the board of directors. When a director makes use of his personal capacity, but would allow a third party to reasonably think that the director is representing the Company or the board of directors, that director should declare his position and capacity in advance.

Article 133 When a director contravenes the law, administrative regulations, department regulations or the Articles when carrying out his duties, causing losses to the Company, he shall bear liabilities to compensate.

Article 134 The requirements on the qualification, nomination, resignation of an independent director shall be carried out in accordance with the law, administrative regulations, department regulations and the Articles.

## **Section 2 Board of Directors**

Article 135 The Company shall establish a board of directors. The board of directors shall be accountable to the shareholders' general meeting.

Article 136 The board of directors shall be composed of 11 directors, which shall include one chairman of the board and one vice chairman of the board. The chairman of the board and the vice chairman of the board shall be elected by more than half of all the directors.

Article 137 The board of directors shall exercise the following functions and powers:

1. to be responsible for convening the shareholders' general meeting and to report on its work thereto;
2. to implement the resolutions of shareholders' general meeting;
3. to decide on the business plans and investment plans of the Company;
4. to formulate the proposed annual financial budgets and final accounts of the Company;
5. to formulate the plans for profit distribution and making up losses of the Company;
6. to formulate plans for the increase or reduction in the registered capital of the Company, the issue of the Company bonds and other securities, and the listing of the Company;
7. to draft plans for the Company with respect to significant takeovers, purchase of shares, mergers, divisions, winding up or changing the structure of the Company;
8. within the scope authorized by the shareholders' general meeting, to decide the Company's external investment, purchase and sale of assets, offering assets as securities, external guarantees, appointment to manage finance or to manage associated transactions;
9. to decide on the establishment of the Company's internal management organization;
10. to hire or fire the Company's general managers and secretaries to the board of directors; in accordance with the general managers' nominations, to hire or fire senior management personnel such as assistance managers, financial controllers, and to decide on their remuneration, reward and disciplinary matters;
11. to nominate candidates for directors and supervisors to the shareholders' general meeting;
12. to formulate the basic management system of the Company;
13. to formulate proposals for amendment of the Articles of the Company;

14. to manage the disclosure of information by the Company;
15. to suggest to the board of directors on the hiring or replacement of the auditors of the Company;
16. to receive the working reports of the general manager and examine his work;
17. other duties authorized by the law, administrative regulations, departmental regulations, or the Articles.

Matters beyond the scope of authorization of the shareholders' general meeting should be submitted to the shareholders' general meeting for discussion.

Resolutions by the board of directors on matters referred to in the preceding paragraph may be passed by the affirmative vote of more than half of the directors with the exception of resolutions on matters referred to in Items (6), (7) (11) and (13), which shall require the affirmative vote of more than two-thirds of the directors.

#### Article 138

When the board of directors disposes of fixed assets and the sum of the expected value of the consideration for the proposed disposal and the value of the consideration for disposal of fixed assets made in the four months immediately preceding the proposed disposal exceeds 33% of the value of the fixed assets shown in the last balance sheet placed before the shareholders' general meeting, the board of directors may not dispose of the fixed assets or agree to dispose of the fixed assets without the prior approval of the shareholders' general meeting.

For the purposes of this Article, the term "disposal of fixed assets" shall include the assignment of a certain interest in assets other than by way of providing guarantee with fixed assets.

The validity of transactions whereby the Company disposes of fixed assets shall not be affected by breaching the first paragraph of this Article.

#### Article 139

The board of directors of the company should explain the financial report of the Company to the shareholders' general meeting whenever a registered accountant presents an opinion other than a standard audit opinion.



- Article 140 The chairman of the board shall exercise the following functions and powers:
1. to preside over shareholders' general meeting and to convene and preside over meetings of the board of directors;
  2. to examine the implementation of resolutions of the board of directors;
  3. to sign share certificates issued by the Company;
  4. other functions and powers granted by the board of directors.
- Article 141 The vice chairman assists the chairman of the board of directors. When the chairman cannot or does not carry out his duties, they will be carried out by the vice chairman. If the vice chairman cannot or does not carry out his duties, more than half of the directors will nominate a director to carry out the duties.
- Article 142 Meetings of the board of directors shall be held at least four times a year, about once each quarter. Meetings of the board of directors shall be convened by the chairman of the board by giving a notice to all directors 14 days before the meetings are held.
- Article 143 Shareholders holding more than 1/10 voting rights, more than 1/3 of the directors or the board of supervisors, general manager, chairman of the board of directors, more than 2 independent directors can suggest the holding of an extraordinary meeting of the board of directors. The chairman of the board of directors shall, within 10 days of receipt of the suggestion, convene and hold the board of directors' meeting.
- Article 144 The notice of extraordinary meetings of the board of directors shall be delivered to all directors 5 days before the meetings are held.
- Article 145 A notice of a board of directors' meeting includes the following contents:
1. Date and place of meeting;
  2. Period of the meeting;
  3. Reasons and discussion items;
  4. Form of the meeting;

5. Date of issuance of notice.

Article 146 Meetings of the board of directors may be held only if more than half of the directors attend.

Each director shall be entitled to one vote. Resolutions of the board of directors must be adopted by the affirmative vote of more than half of all the directors. When the number of votes for and against a resolution is equal, the chairman of the board shall be entitled to one additional vote.

Article 147 When a director has a significant interest in any contract or arrangement or other suggestions through himself or other associated people, he cannot vote on the resolution of the board of directors that are concerning with such matters, and he shall not be counted to calculate the legal number of directors present at the meeting. That director's meeting can be held if exceeding half of the unassociated directors attends. Resolutions made by the board of directors' meeting should be passed by exceeding half of the unassociated directors. If less than three unassociated directors are attending the board meeting, the matter should be submitted to the shareholders' general meeting for discussion. The definition and scope of associated directors shall be in accordance with the requirements of the securities exchange where the Company is listed.

Article 148 The method of voting at the board of directors' meeting is voting by raising hands or by registered ballot.

In order to ensure that directors can fully express their opinions during extraordinary board of directors' meetings, the methods of faxing, passing around for perusal or teleconference can be used and voting is carried out, followed by signatures from directors attending the meeting.

Article 149 Meetings of the board of directors shall be attended by the directors in person. If a director cannot attend a meeting for any reason, he may entrust in writing another director to attend the meeting on his behalf. The instrument of entrustment shall specify the name of the entrusted person, the appointed issues, the scope of authority and the valid period, and shall be signed or sealed by the entrusting director. A director who attends a meeting on behalf of another director shall exercise the rights of a director within the scope of authority granted. If a director fails to attend a meeting of the board of directors and has not appointed a representative to attend on his behalf, he shall be deemed to have waived his voting rights in respect of that meeting.

Article 150 The board of directors shall keep minutes of its decisions on the matters examined at the meetings. The directors attending a meeting and the person taking minutes shall sign the minutes of that meeting. The directors shall bear liability for the decisions of the board of directors. Where a resolution of the board of directors is in violation of the law, administrative regulations or the Articles of the Company, thereby causing serious losses to the Company, the directors who took part in the resolution shall be liable to the Company for damages. However, where a director can prove that he expressed his opposition to such resolution when it was put to the vote, and that such opposition was recorded in minutes of the meeting, the director may be relieved from such liability.

Minutes of board of directors' meeting shall be kept as a company file for not less than 10 years.

Article 151 Minutes of a board of directors' meeting includes the following contents:

1. Date and place of the meeting as well as the name of the convener;
2. Names of directors attending the meeting and names of directors (representatives) appointed by other directors to attend;
3. Agenda of the meeting;
4. Main points of directors' speeches;
5. Methods and results of voting on each resolution (the voting results should clearly contain the number of votes consenting, objecting and abstaining).

## **Chapter 7 Secretary to the Board of Directors**

Article 152 The Company shall have a secretary to the board of directors. The secretary to the board of directors shall be a member of the senior management staff of the Company.

Article 153 The secretary to the board of directors shall be a natural person with the necessary professional knowledge and experience. He shall be appointed by the board of directors. His main duties shall be as set forth below:

1. to guarantee that the Company has complete organizational documents and records;

2. to ensure that the Company prepares and submits according to law the documents and reports required by relevant authorities;
3. to guarantee that the Company's register of shareholders is properly established and that persons entitled to relevant records and documents of the Company obtain such records and documents in a timely manner.

Article 154 Directors or other senior management staff of the Company may concurrently hold the office of secretary to the board of directors. No accountant of the accounting firm hired by the Company may concurrently hold the office of secretary to the board of directors.

If the office of secretary to the board of directors is held by a director of the Company and a certain act is to be done by a director and the secretary to the board of directors separately, the person who concurrently holds the offices of director and secretary to the board of directors may not perform such act in both capacities.

## **Chapter 8 General Manager and Other Senior Management Staff**

Article 155 The Company shall have one general manager who shall be appointed or dismissed by the board of directors.

The Company shall have several vice general manager who shall be appointed or dismissed by the board of directors.

General manager, vice general manager, financial controller, and secretary to the board of directors belong to senior management staff of the Company.

Article 156 A person holding a post, other than a director, in the organization of the controlling shareholder or the actual controller of the Company, cannot become senior management personnel of the company.

Article 157 The general manager's term of appointment is 3 years. The general manager can be reappointed upon the expiration of his term.

Article 158 The general manager shall be accountable to the board of directors and shall exercise the following functions and powers:

1. to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the board of directors and report his work to the board of directors;

2. to organize the implementation of the Company's annual business plans and investment plans;
3. to draft the plan for establishment of the Company's internal management organization;
4. to draft the Company's basic management system;
5. to formulate the basic rules and regulations of the Company;
6. to propose to the board of directors the employment and dismissal of the vice general manager and financial controller of the Company;
7. to hire or dismiss management personnel other than those to be hired or dismissed by the board of directors;
8. other functions and powers granted by the Articles and the board of directors.

Article 159 The general manager shall attend the meetings of the board of directors, but if he is not a director, he shall not have the right to vote at such meetings.

Article 160 The detailed working regulations of the general manager include the following:

1. Conditions, procedures and the number of participants for holding general manager's meetings;
2. Respective duties and division of labor of general manager and other senior management personnel;
3. Limits of authority in using company funds and assets as well the signing of significant contracts, together with the reporting system to the board of directors and the supervisory board;
4. Other matters considered necessary by the board of directors.

Article 161 In the exercise of his functions and powers, the general manager shall perform his duties in good faith and with diligence in accordance with the law, administrative regulations and the Articles of the Company.

Article 162 The general manager can submit his resignation before the expiry of his term of service. The actual procedure and method concerning general manager’s resignation shall be regulated by the employment contract between the general manager and the Company.

Article 163 Vice general managers shall be nominated by the general manager and decided by the board of directors. Vice general managers assist the general manager with the work of the Company. They are led by the general manager and responsible to the general manager.

**Chapter 9 The Board of Supervisors**

**Section 1 Supervisors**

Article 164 The Company’s directors, general manager and other senior management staff may not serve concurrently as supervisors.

Article 165 The term of office of a supervisor shall be 3 years. A supervisor may serve consecutive terms if reelected upon the expiration of his term.

Article 166 When a supervisor’s term of service expires but a new supervisor is not yet appointed, or when a supervisor resigns during his term of service, leading to the number of members in the board of supervisors falling below the legally prescribed number, and before the newly appointed supervisor takes up his appointment, the original supervisor should still carry out his duties according to the law, administrative regulations and the Articles.

Article 167 A supervisor can be present at a board of directors’ meeting. He can also question or make suggestions concerning proposed resolutions at the meeting.

**Section 2 Board of Supervisors**

Article 168 The Company shall have a board of supervisors. The board of supervisors shall be composed of 3 persons, one of whom shall be the chairman of the board of supervisors. If the chairman cannot or does not carry out his duties, two-thirds or more of the supervisors will nominate a supervisor to convene and conduct the meeting of the board of supervisors.

The board of supervisors shall include staff representatives of the Company, with the ratio thereof not less than 1/3. The shareholder representative shall be elected and dismissed by the shareholders’ general

meeting, and the staff representative shall be elected and dismissed by the staff representative meeting.

Article 169

The board of supervisors exercises the following duties:

1. it should examine and submit written opinions on the periodical company reports prepared by the board of directors;
2. check the Company's finance;
3. supervise directors and senior management personnel when carrying out their duties, and suggest the removal of directors or senior management personnel who contravene the law, administrative regulations, the Articles or resolutions of shareholders' general meetings;
4. when an action of a director or senior management personnel damages the interests of the Company, it requests that director or senior management personnel to make corrections;
5. to verify financial information such as financial reports, business reports, profit distribution plans, etc. that the board of directors intends to submit to the shareholders' general meeting and, if in doubt, to be able to appoint, in the name of the Company, a registered accountant or practicing auditor to assist in reviewing such information;
6. to suggest the holding of extraordinary shareholders' general meetings, and, when the board of directors does not convene or hold shareholders' general meetings as required by the Company Law, to convene or hold shareholders' general meetings;
7. to present proposed resolutions to the shareholders' general meetings;
8. to start legal action against directors and senior management personnel in accordance with Article 152 of the Company Law;
9. other functions and powers provided for in the Articles of the Company or granted by the shareholders' general meeting.

Supervisors shall attend meetings of the board of directors.

Article 170           The reasonable expenses incurred by the board of supervisors in the employment of professionals such as lawyers, registered accountants, practicing auditors, etc. in the exercise of its functions and powers shall be borne by the Company.

Article 171           Supervisors shall faithfully perform their supervisory duties in accordance with the law, administrative regulations and the Articles of the Company.

Article 172           Meetings of the board of supervisors shall be held at least once every 6 months. Supervisors can propose to hold extraordinary meeting of the board of supervisors.

The meetings of the board of supervisors can be held by way of site meetings, written meetings by fax or teleconference.

The election or dismissal of the chairman of the board of supervisors shall be passed by two-thirds or more of the supervisors.

The resolutions of the board of supervisors shall be passed by two-thirds or more of the supervisors.

Article 173           The board of supervisors will set out regulations for meetings. It should clearly specify meeting method and voting procedure of the board, in order to ensure the working efficiency and the making of scientific decisions.

Article 174           The supervisory board should prepare minutes of meeting on decisions of matters discussed. Supervisors attending the meeting should sign on the minutes.

A supervisor is entitled to request the addition of some explanatory notes concerning his speech made during the meeting to the minutes. Minutes of the supervisory board meeting, as a company file, must be kept for at least 10 years.

Article 175           A notice to a supervisory board meeting includes the following contents:

1.       Dates, place, and period of the meeting;
2.       Reasons and discussion items;
3.       Form of meeting;
4.       Date of issuance of notice.



## **Chapter 10 Qualifications and Obligations of the Company's Directors, Supervisors, General Manager and Other Senior Management Staff**

Article 176 None of the following persons may serve as a director, supervisor, general manager or other senior management staff of the Company:

1. persons without capacity or with limited capacity for civil acts;
2. persons who were sentenced for crimes for corruption, bribery, encroachment or embezzlement of property or disruption of the social or economic order where five years have not lapsed following the serving of the sentence, or persons who were deprived of their political rights for committing a crime where five years have not lapsed following the serving of the sentence;
3. directors, or factory directors or managers who bear personal liability for the bankruptcy or liquidation of their Companies or enterprises due to mismanagement where three years have not lapse following the date of completion of such bankruptcy or liquidation;
4. the legal representatives of Companies or enterprises that had their business licenses revoked for breaking the law, where such representatives bear individual liability and three years have not lapsed following the date of revocation of such business licenses;
5. persons with relatively heavy individual debts that have not been settled upon maturity;
6. persons whose cases have been established for investigation by the judicial authorities as a result of violation of the criminal law, and have not been closed;
7. persons who may not act as leaders of enterprises by virtue of laws and administrative regulations;
8. non-natural persons;
9. persons who have violated securities-related regulations as ruled by a relevant organization-in-charge, where such violation involved fraudulent or dishonest acts and five years have not lapsed following the date of the ruling.

Article 177           The validity of an act of a director, general manager or other senior management staff of the Company 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 178           In addition to obligations imposed by the law, administrative regulations or listing rules of the securities exchange(s) where shares of the Company are listed, the Company’s directors, supervisors, general manager and other senior management staff shall lay the following obligations on each shareholder in the exercise of the functions and powers granted to them by the Company:

1.       not to cause the Company to act beyond the scope of business stipulated in its business license;
2.       to act honestly in the best interests of the Company;
3.       not to deprive the Company of its property in any way, including (but not limited to) any opportunities that are favorable to the Company;
4.       not to deprive the shareholders of their individual rights or interests, including (but not limited to) rights to distributions and voting rights, unless pursuant to a restructuring of the Company submitted to and adopted by the shareholders’ general meeting in accordance with the Articles of the Company.

Article 179           The Company’s directors, supervisors, general manager and other senior management staff shall have an obligation, in the exercise of their rights or discharge of their obligations, to perform their acts with due care, diligence and skill as a reasonable and prudent person should do under similar circumstances.

Article 180           The Company’s directors, supervisors, general manager and other senior management staff must, in the exercise of their duties, abide by the principles of honesty and credibility, and shall not place themselves in a position where there is a conflict between their personal interests and their duties. This principle shall include (but not limited to) the fulfillment of the following obligations:

1.       to act honestly in the best interests of the Company;

2. to exercise powers within the scope of their functions and powers, and not to act beyond such powers;
3. to personally exercise the discretion invested in him, not to allow himself to be manipulated by another person, and not to delegate the exercise of his discretion to another party unless permitted by laws and administrative regulations or with the consent of the shareholders' general meeting that has been informed;
4. to be impartial to shareholders of the same category and of different categories;
5. not to conclude a contract or enter into a transaction or arrangement with the Company except as otherwise provided in the Articles of the Company or with the consent of the shareholders' general meeting that has been informed;
6. not to use the Company's property for his own benefit in any way without the consent of the shareholders' general meeting that has been informed;
7. not to use his functions and powers as a means to accept bribes or other forms of illegal income, and not to illegally appropriate the Company's property in any way, including (but not limited to) any opportunities that are favorable to the Company;
8. not to accept commissions in connection with the Company's transactions without the consent of the shareholders' general meeting that has been informed;
9. to abide by the Articles of the Company, perform his duties faithfully, protect the interests of the Company and not to seek personal gain with his position, functions and powers in the Company;
10. not to compete with the Company in any way without the consent of the shareholders' general meeting that has been informed;
11. not to embezzle the Company's funds or lend the Company's funds to others, not to deposit the Company's assets in accounts opened in his own or in another's name, not to use the Company's assets as security for the debts of the Company's shareholders or other individuals;

12. not to disclose confidential information relating to the Company that was acquired by him during his office without the consent of the shareholders' general meeting that has been informed, and not to use such information except in the interests of the Company; however, such information may be disclosed to the court or other government authorities if:
  - (1) provided by law;
  - (2) required in the public interest; or
  - (3) required in the own interest of such director, supervisor, general manager or other senior management staff of the Company.

Article 181

A director, a supervisor, general manager or other senior management staff of the Company may not instruct the following persons or organizations ("Connected Persons") to do what such director, supervisor, general manager or other senior management staff may not do:

1. the spouse or minor child of such director, supervisor, general manager or other senior management staff of the Company;
2. the trustee of a director, supervisor, general manager or other senior management staff of the Company or of any person referred in Item (1) hereof;
3. the partner of a director, supervisor, general manager or other senior management staff of the Company or of any person referred in Items (1) and (2) hereof;
4. the company over which a director, supervisor, general manager or other senior management staff of the Company, alone or jointly with any person referred to in Items (1), (2) and (3) hereof or any other director, supervisor, general manager or other senior management staff of the Company, has actual control;
5. a director, a supervisor, general manager or other senior management staff of a company being controlled as referred to in Item (4) hereof.

Article 182

The obligation and credibility of the Company's directors, supervisors, general manager and other senior management staff does not necessarily cease with the termination of their office. Their confidentiality obligation in relation to the Company's trade secrets shall remain upon termination of their office. The term for which other obligations shall continue shall

be decided in accordance with the principle of fairness, depending on the time lapse between the termination and the occurrence of the matter as well as the circumstances and conditions under which the relationship with the Company terminates.

Article 183 A director, a supervisor, general manager or other senior management staff of the Company may be relieved from liability for a specific breach of obligations after the shareholders' general meeting has been informed, except in circumstances as specified in Article 60 hereof.

Article 184 If a director, a supervisor, general manager or other senior management staff of the Company has directly or indirectly vested a material interest in a contract, transaction or arrangement concluded or planned by the Company (except his employment contract with the Company), he shall disclose the nature and extent of his interest to the board of directors at the earliest opportunity, whether or not the matter is normally subject to the approval of the board of directors.

Unless the director, supervisor, general manager or other senior management staff of the Company vested with a material interest has disclosed such interest to the board of directors as required under the preceding paragraph hereof, and the matter has been approved by the board of directors at a meeting in which he was not counted in the quorum and was refrained from voting, the Company shall have the right to void the contract, transaction or arrangement, except the other party is a bona fide party acting without knowledge of the breach of obligation by the director, supervisor, general manager or other senior management staff concerned.

A director, a supervisor, the manager or other senior management staff of the Company shall be deemed to have an interest in any contract, transaction or arrangement in which a Connected Person of that director, supervisor, general manager or other senior management staff has an interest.

Article 185 If a director, supervisor, general manager or other senior management staff of the Company gives a written notice to the board of directors before the conclusion of the contract, transaction or arrangement is first considered by the Company, stating that due to the contents of the notice, he has an interest in the contract, transaction or arrangement that may subsequently be made by the Company, such director, supervisor, general manager or other senior management staff of the Company shall be deemed for the purposes of the preceding Articles of this Part to have declared his interest, insofar as attributable to the scope stated in the

notice.

Article 186 The Company may not in any manner pay tax on behalf of its directors, supervisors, general manager or other senior management staff.

Article 187 The Company may not directly or indirectly provide a loan or loan security for its directors, supervisors, general manager or other senior management staff, those of its parent company, or Connected Persons of the above-mentioned persons.

The provisions of the preceding paragraph shall not apply to the following circumstances:

1. the provision of a loan or loan security by the Company for a subsidiary of the Company;
2. the provision of a loan or loan security or other funds by the Company to a director, a supervisor, general manager or other senior management staff of the Company under an employment contract approved by the shareholders' general meeting, so as to enable him to pay the expenses incurred for the sake of the Company or for the performance of his Company duties;
3. the provision of a loan or loan security by the Company to a relevant director, a supervisor, general manager or other senior management staff of the Company or to a Connected Person thereof on normal commercial terms, if the ordinary business scope of the Company includes the lending of money or the provision of loan security.

Article 188 A loan provided by the Company in violation of the preceding Article shall be immediately repayable by the recipient of the loan, regardless of the terms of the loan.

Article 189 The Company may not be forced to perform a loan security provided by the Company in violation of the first paragraph of Article 187, except:

1. when the loan is provided to a Connected Person of a director, a supervisor, general manager or other senior management staff of the Company or its parent company, the loan provider is not aware of the condition;
2. the collateral provided by the Company has been lawfully sold by the loan provider to a bona fide purchaser.

Article 190 For the purposes of the preceding Article of this Chapter, the term “security” shall include an act whereby a guarantor assumes liability or provides property to guarantee or secure the performance of obligations by an obligator.

Article 191 If a director, supervisor, general manager or other senior management staff of the Company breaches his obligations to the Company, the Company shall, in addition to any rights and remedies provided by the law and administrative regulations, have a right to:

1. require the relevant director, supervisor, general manager or other senior management staff to compensate for the losses suffered by the Company as a consequence of his dereliction of duty;
2. rescind any contract or transaction concluded by the Company with the relevant director, supervisor, general manager or other senior management staff and contracts or transaction with a third party (where such third party is aware or should be aware that the director, supervisor, general manager or other senior management staff representing the Company was in breach of his obligations to the Company);
3. request the relevant director, supervisor, general manager or other senior management staff to surrender the gains derived from the breach of his obligations;
4. recover any funds received by the relevant director, supervisor, general manager or other senior management staff that should have been received by the Company, including (but not limited to) commissions; and
5. request the relevant director, supervisor, general manager or other senior management staff to return the interest earned or possibly earned on the funds that should have been given to the Company.

Article 192 The Company shall conclude a written contract with each director and supervisor of the Company concerning his emoluments. Such contract shall be approved by the shareholder’ meeting before it is entered into. The above-mentioned emoluments shall include:

1. emoluments in respect of his service as a director, supervisor or senior management staff of the Company;

2. emoluments in respect of his service as a director, supervisor or senior management staff of a subsidiary of the Company;
3. emoluments otherwise in connection with the management of the Company or any subsidiary thereof;
4. funds as compensation for his loss of office or retirement to the aforementioned directors and supervisors.

A director or supervisor may not sue the Company for his benefits due to him on the basis of the above-mentioned matters, except under a contract as mentioned above.

#### Article 193

The Company shall specify in the contract concluded with a director or supervisor of the Company concerning his emoluments that in the event of a takeover of the Company, a director or supervisor of the Company shall, subject to prior approval of the shareholders' general meeting, have the right to receive compensation or other funds attributable for the loss of office or retirement. For the purposes of the preceding paragraph, the term "a takeover of the Company" shall refer to any of the following circumstances:

1. anyone makes a general offer to all the shareholders;
2. anyone makes a general offer so that he can become a controlling shareholder as defined in Article 61 hereof.

If the relevant director or supervisor has failed to comply with this Article, any fund received by him shall belong to those persons that have sold their shares as a result of their acceptance of the above-mentioned offer, and the expenses incurred in distribution of such fund shall be borne by the relevant director or supervisor on a pro rata basis and may not be paid out of such fund.

## **Chapter 11 Financial and Accounting Systems, Distribution of Profits and Audit**

### **Section 1 Financial and accounting systems and distribution of profits**

#### Article 194

The Company shall formulate its own financial and accounting systems in accordance with the law, administrative regulations and China's accounting standards formulated by the State Council's department in charge of finance.



- Article 195           The Company shall prepare financial reports at the end of each fiscal year. Such reports shall be examined and verified according to the law.
- Article 196           The board of directors of the Company shall place before the shareholders at each shareholders' general meeting such financial reports as relevant laws, administrative regulations and normative documents promulgated by the local government and the authorities-in-charge require the Company to prepare.
- Article 197           The financial reports of the Company shall be kept at the Company and made available for inspection by shareholders 20 days prior to an annual shareholders' general meeting. Each shareholder of the Company shall have the right to obtain a copy of the financial reports referred to in this Section.
- The Company shall send copies of the said reports together with the report of the board of directors to each holder of foreign investment shares listed outside the People's Republic of China by such methods prescribed in Article 223. If sent by prepaid mail, it shall be sent to the recipient's address shown in the register of shareholders.
- Article 198           The financial statements of the Company shall be prepared not only in accordance with China's accounting standards, laws and regulations but also in accordance with international accounting standards or the accounting standards of the place(s) outside the People's Republic of China where shares of the Company are listed. If there are major differences in the financial statements prepared in accordance with these two sets of accounting standards, such differences shall be stated in notes appended to such financial statements. For purposes of the Company's distribution of after-tax profits in a given fiscal year, the smaller amount of after-tax profits shown in the above-mentioned two kinds of financial statements shall govern.
- Article 199           Interim results or financial information published or disclosed by the Company shall be prepared in accordance with China's accounting standards, laws and regulations as well as international standards or the accounting standards of the place(s) outside the People's Republic of China where shares of the Company are listed.
- Article 200           The Company shall publish two financial reports each fiscal year, namely an interim financial report within 60 days after the end of the first six months of the fiscal year and an annual financial report within 120 days after the end of the fiscal year.

Article 201 The Company may not establish any account books other than statutory account books. The assets of the Company shall not be deposited into any accounts opened in any individual's name.

Article 202 When the Company is distributing after-tax profits of a particular year, it should allocate 10% of the profits into the legal reserve fund. If the cumulated legal reserve fund reaches more than 50% of the registered capital of the Company, no further allocation is necessary.

If the legal reserve fund of the Company cannot make up for the losses in the previous year, then before making the allocation mentioned in the preceding paragraph, profits of that year should first be used to make up for the losses.

After the company takes out the legal reserve fund from the after-tax profits, if resolved by the shareholders' general meeting, it can also take out an arbitrary reserve from the after-tax profits.

After the Company makes up for losses and allocates reserves, the balance of the after-tax profits should be distributed according to the proportion of shares held by shareholders.

If the shareholders' general meeting contravenes the provisions of the preceding paragraph by distributing profits to shareholders before making up for losses and allocating legal reserves, the shareholders must return the distributed profits which are against the said provisions to the Company.

Shares of the Company held by the Company shall not participate in the distribution of profits.

Article 203 The reserve of the Company is used to make up for the Company's losses, increase the production operation of the company or increase the Company's capital. However, capital reserve cannot be used to make up for the Company's losses.

When legal reserve funds are converted into capital, the remaining balance of that reserve fund cannot be less than 25% of the registered capital of the Company before the conversion.

Article 204 The capital common reserve shall include the following funds:

1. the premiums obtained from the issue of shares in excess of the par value;
2. other revenue required by the State Council's department in charge of finance to be included in the capital common reserve.

Article 205 After the shareholders' general meeting has resolved on the plan to allocate profits, the board of directors should complete the distribution of dividends (or bonus shares) within 2 months of the meeting.

Any payment for shares that have been paid before the call can be entitled to the distribution of profits, but no shareholders shall have the right to participate in the profits subsequently announced in respect of the prepayment for shares.

Article 206 The Company may distribute dividends by means of cash or shares.

Article 207 The Company shall appoint recipient agents for holders of foreign investment shares listed outside the People's Republic of China to collect on behalf of the relevant shareholders the dividends distributed and other funds payable in respect of foreign investment shares listed outside the People's Republic of China.

The recipient agents appointed by the Company shall meet the requirements of the laws of the place(s), or the relevant regulations of the securities exchange(s) where the shares are listed.

The recipient agents appointed by the Company for holders of foreign investment shares listed at SEHK shall be trust companies registered in accordance with the Hong Kong Trustee Ordinance.

If the Company is authorized the forfeiture right of unclaimed distribution of profits, such right shall not be implemented until the expiry of the relevant applicable limitation period.

## **Section 2 Internal Audit**

Article 208 The Company shall implement an internal auditing system. It will be staffed with professional auditors to conduct internal auditing and monitoring on the financial income and expenses as well as economic activities of the Company.

Article 209 The internal auditing system of the Company and the responsibilities of the audit personnel should be implemented after approval by the board of

directors. The audit staff should be responsible to and report their work to the board of directors.

## **Chapter 12 Employment of an Accounting Firm**

Article 210 The Company shall employ an independent accounting firm that complies with relevant State regulations to audit the annual financial reports and other financial reports of the Company.

The first accounting firm of the Company may be employed by the inaugural meeting prior to the first annual shareholders' general meeting. Such accounting firm shall hold office until the conclusion of the first annual shareholders' general meeting.

If the inaugural meeting does not exercise its power under the preceding paragraph, the board of directors shall exercise such power.

Article 211 The term of employment of an accounting firm employed by the Company shall be between the end of the annual shareholders' general meeting of the Company and the end of the next annual shareholders' general meeting.

Article 212 An accounting firm employed by the Company shall have the following rights:

1. the right of access at all times to the account books, records or vouchers of the Company and the right to require directors, managers and other senior management staff of the Company to provide the relevant information and explanations;
2. the right to require the Company to take all reasonable measures to obtain from its subsidiaries the information and explanations necessary for the accounting firm to perform its duties;
3. the right to attend shareholders' general meeting, receive notices or other information concerning any meetings or of which shareholders have a right to receive, and to be heard at any shareholders' general meetings on any matter which relates to it as the accounting firm of the Company.

Article 213 If the position of accounting firm becomes vacant, the board of directors may appoint an accounting firm to fill such vacancy before a shareholders' general meeting is held. However, if there are other accounting firms holding the position as accounting firms of the Company

while such vacancy still exists, such accounting firms shall continue to act.

Article 214 The shareholders' general meeting may, by means of an ordinary resolution, dismiss any accounting firm prior to the expiration of its term of employment, notwithstanding anything in the contract between the accounting firm and the Company, but without prejudice to such accounting firm's right, if any, to claim damages from the Company in respect of such dismissal.

Article 215 The remuneration or method of remuneration of an accounting firm shall be decided upon by the shareholders' general meeting. The remuneration of an accounting firm employed by the board of directors shall be determined by the board of directors.

Article 216 The employment, dismissal or refusal of the renewal of the employment of an accounting firm shall be decided upon by the shareholders' general meeting and reported to the State Council authorities in charge of securities for the record.

Article 217 The company guarantees to the accounting firm appointed, to supply true and complete accounting proof, accounting books, financial accounting report and other accounting information. It cannot refuse to provide or hide information, or provide false information.

Article 218 When the company terminates or decides not to continue to appoint an accounting firm, it shall notify the accounting firm in advance. When the shareholders' general meeting votes on terminating the appointment of an accounting firm, the accounting firm is entitled to present its views. When an accounting firm resigns, it should explain to the shareholders' general meeting whether there are improper circumstances.

Article 219 Where the shareholder's meeting intends to vote on a resolution to employ a non-current accounting firm to fill any vacancy of the accounting firm, to renew the employment of the accounting firm appointed by the board of directors to fill vacancy or to terminate the employment of the accounting firm prior to the expiry of its term, the following requirements shall be considered:

1. the resolution shall, before the issue of the notice of the shareholders' general meeting, be delivered to the accounting firm which is intended to be hired or is to leave office or has already left office within relevant accounting year. For the purpose of the preceding paragraph, the term "leave office" include dismissal,

resignation and retirement.

2. If the accounting firm which is to leave office makes an written statement and requires the Company to inform the shareholders of such statement, unless the Company receives the statement too late, the Company shall take the following measures:
  - (1) In the notice issued for the resolution, announce that the accounting firm to leave office has made an statement;
  - (2) Send the copy of the statement to all the shareholders who has the right to receive the notice of the shareholders' general meeting.
3. If the Company fails to send out the statement of relevant accounting firm in accordance with Item (2) of the preceding paragraph, the accounting firm can make a request to read out the statement at the shareholders' general meeting and make further complaints.
4. The accounting firm to leave office is entitled to attend the following meeting:
  - (1) The shareholders' general meeting when its term of office expires;
  - (2) The shareholders' general meeting for the purpose of filling the vacancy due to the leaving office of the accounting firm;
  - (3) The shareholders' general meeting convened due to the resignation of the accounting firm.

The accounting firm leaving office shall have the right to receive the notice of all the aforementioned meetings or other information thereof and give speech on matters concerning the accounting firm as former accounting firm of the Company at such meetings.

#### Article 220

If the accounting firm intends to resign from its duties, it can put a written notice at the company registry. The notice shall contain one of the following statements:

1. statements that its resignation is not concerned with any matters that need to be explained to the shareholders or creditors of the Company;
2. statements on anything that need to be explained.

The notice shall become effective from the date of its placement at the company registry or a later date as specified in the notice.

Article 221 The Company shall, within 14 days of the receipt of the said notice specified in Article 220, send a copy of the notice to authorities in charge. If the notice contains such statement as is mentioned in Item 2 of Article 219, the Company shall also send a copy thereof to each shareholder that has the right to receive the report of the Company's financial situations.

Article 222 If the notice of the accounting firm's resignation contains such statement as is mentioned in Item 2 of Article 220, the accounting firm can request an extraordinary meeting of the board of directors to be convened, in order to listen to its explanation of relevant situations about its resignation.

### **Chapter 13 Notice**

Article 223 Notices of the Company are issued in the following methods:

1. By personal delivery;
2. By mail;
3. By fax or email;
4. By the websites appointed by SEHK, under the premise of complying with the law, administrative regulations and listing rules of the place where the shares of the Company is listed;
5. By public announcement;
6. Other methods pre-agreed by the Company or the notified person or recognized by the notified person after receiving the notice;
7. Other methods specified by relevant regulatory authorities of the place where the shares of the Company is listed or the Articles.

Article 224 For the purpose of the Articles, unless otherwise provided, the term "public announcement" means publishing public announcements in Chinese newspapers or magazines in respect of the public announcements that are made to the shareholders of domestic investment shares or that need to be made in China in accordance with the provisions of relevant regulations or the Articles. The newspapers and magazines shall be those

that are designated in accordance with the provisions of the law and administrative regulations or by the State Council authorities in charge of supervision and management of securities. In respect of the public announcements that are made to shareholders of foreign investment shares listed outside the People's Republic of China or that need to be made in Hong Kong in accordance with relevant regulations or the Articles, the public announcements shall be made in designated newspapers in Hong Kong in accordance with the requirements of the Listing Rules.

Article 225 The public announcements, files or written statements issued by the Company to shareholders of foreign investment shares listed outside the People's Republic of China, can be send by way of the methods specified in Article 223.

Article 226 The notice for convening a shareholders' general meeting shall be delivered to the shareholders of foreign investment shares listed outside the People's Republic of China by way of the methods specified in Article 225 and be made to the shareholders of domestic investment shareholders by way of public announcement.

Article 227 The notice to convene a board of directors' meeting of the Company will use the methods of personal delivery, telephone, fax, telegram, letter and so on.

Article 228 The notice to convene a board of supervisors' meeting of the Company will use the methods of personal delivery, telephone, fax, telegram, letter and so on.

Article 229 If the notice is sent by hand, the recipient shall sign (or chop) on the receipt of delivery. The date of delivery is the date of acknowledgement of receipt by the recipient. If the notice is sent by mail, the date of delivery is 48 hours from the date of delivery to the post office. If the notice is made by public announcement, the date of delivery is the date of the first public announcement. If the notice is given by telephone, fax, email or websites, the date of delivery is the same day when the receipt answers the phone or the date of effectively issuing the written letters.

Article 230 Where the Company is required to send, mail, deliver by person, issue, announce or provide in other ways relevant files thereof in both Chinese and English versions in accordance with the listing rules of the place(s) where the shares of the Company are listed, if the Company has made suitable arrangement to identify whether shareholders thereof only want to receive Chinese version or English version, the Company can, within the scope permitted by laws and regulations and in accordance with applying



laws and regulations, (based on the intention of the shareholders) send to the shareholders only the Chinese version or only the English version.

The following files shall be kept at Hong Kong for free inspection by the public and shareholders, and be provided to shareholders for photocopying at reasonable costs:

1. the full copy of the registry of shareholders;
2. reports about the situation of the share capital issued by the Company;
3. the latest audited financial statements of the Company and the reports of the board of directors, the accounting firm and the board of supervisors;
4. special resolutions of the Company;
5. the number and par value of the shares bought back by the Company since the last fiscal year, the sum paid therefor, and the report of the highest and lowest price paid to buy back securities of every category (divided by domestic investment shares and foreign investment shares listed outside the People's Republic of China);
6. a copy of the latest annual returns provided to Chinese Administration for Industry and Commerce or other authorities in charge for the record; and
7. the minutes of the shareholders' general meeting (only for shareholders' examination).

Article 231 If the Company is authorized to terminate sending dividend warrants by mail, such right shall not be implemented unless such dividend warrants have not be cashed two times in a row. However, the Company may also exercise such right if these dividend warrants have not been received by the recipient for the first time and have been returned.

Article 232 If the Company is authorized to sell the shares of shareholders who cannot be contacted, such right cannot be exercised except in accordance with the following provisions:

1. at least three times of profit distribution have been made in respect of relevant shares within 12 years and no one claims such profits distributed within that period; and

2. the Company puts an advertisement in the newspaper after the expiry of 12 years, stating its intension to sell the shares and inform SEHK of the relevant intension.

## **Chapter 14 Merger, Division, Increase and Decrease of Capital, Dissolution and Liquidation**

### **Section 1 Merger, Division, Increase and Decrease of Capital**

Article 233 The merger or division of the Company shall require the preparation of a proposal by the board of directors. After such proposal has been adopted in accordance with the procedures specified in the Articles of the Company, relevant examination and approval procedures shall be carried out according to the law. Shareholders that oppose such proposal on the merger or division of the Company shall have the right to require the Company or shareholders that are in favor of such proposal to purchase their shares at a fair price. The contents of resolutions approving the merger or division of the Company shall be compiled in a special document for inspection by shareholders.

Shareholders of the foreign investment shares listed outside the People's Republic of China can make written statements to request the Company to provide notices, files or written statements in printed form or by email. If the shareholders of the foreign investment shares listed outside the People's Republic of China request to receive the printed form of such notices, files or written statements of the Company, they shall also specify whether the Chinese printed version, the English printed version or both versions shall be provided by the Company. The Company shall, in accordance with the requirements of such written statements, send the corresponding version to its registered domicile by person or by prepaid mail. Shareholders of the foreign investment shares listed outside the People's Republic of China may also, within a reasonable time in advance, send the Company a written notice and in accordance with proper procedures, change the way of receiving the aforementioned information and its language version.

Meanwhile, the Company can also send a written notice to request the shareholders of the foreign investment shares listed outside the People's Republic of China to specify whether the notices, files or written statements of the Company shall be delivered in printed version or by email. If the Company does not receive the above written confirmation from the shareholders of the foreign investment shares listed outside the People's Republic of China within the period designated by relevant laws,

administrative regulations and rules of the securities supervision and management authorities of the place(s) where the shares of the Company are listed, the shareholders are deemed to agree that the Company can send or provide notices, files or written statements thereof in the ways (including but not limited to publishing on the Company's website by electronic means) designated in advance by the Company in accordance with relevant laws, administrative regulations and rules of the securities supervision and management authorities of the place(s) where the shares of the Company are listed.

Article 234 Merger of the Company may take the form of merger by absorption and merger by new establishment.

A company absorbing another company is called amalgamation. The absorbed company will be wound up. When 2 or more companies merge and establish a new company, this is called a newly established merger. The merged companies will be wound up respectively.

Article 235 For merger of companies, the parties to the merger shall enter into a merger agreement and prepare balance sheets and a list of properties. The Company shall notify its creditors within a period of 10 days from the date on which the merger resolution is passed and publish at least three newspaper announcements on the merger within 30 days of that date. The creditor should, within 30 days of being notified, or if he does not receive the notice, then within 90 days of the public announcement, request the company to pay off its debts or provide corresponding guarantees.

Article 236 Upon completion of the merger, the company that exists or the newly established company shall succeed to the claims and debts of the parties to the merger.

Article 237 If the Company is to be divided, its property shall be divided accordingly.

For division of the Company, the parties to the division shall enter into a division agreement and prepare balance sheets and an list of assets. The Company shall notify its creditors within a period of 10 days from the date on which the division resolution is passed and publish at least three newspaper announcements on the division within 30 days of that date.

Article 238 The debts of the company before the division will be jointly and severally liable by the companies formed after the division. However, if before the division the company and its creditors have entered into a written contract concerning the repayment of debts, then the former provision does not apply.

Article 239 When a company needs to decrease its registered capital, it must prepare a balance sheet and a list of assets.

The company should notify its creditors within 10 days of deciding to decrease its registered capital, and publicly announce on newspapers within 30 days. The creditors should, within 30 days of receipt of notice, or if it does not receive the notice, then within 90 days of the public announcement, request the company to pay off its debts or to provide corresponding guarantees.

After the company decreases its registered capital, its registered capital should not be lower than the legally prescribed minimum.

Article 240 Where the merger or division of the Company involves a change in registered particulars, such change shall be registered with the company registry according to the law. Where the Company is dissolved, it shall cancel its registration according to the law. Where a new company is established, its establishment shall be registered according to the law.

When a company increases or decreases its registered capital, it should vary its registration at the company registration organization according to the law.

## **Section 2 Dissolution and Liquidation**

Article 241 The Company shall be dissolved and liquidated according to the law due to the following reasons:

1. Expiry of the operation period as specified by these Articles or the occurrence of other matters leading to winding up as specified by these Articles;
2. The shareholders' general meeting resolves to wind up;
3. The Company is wound up because of merger or division;
4. If the Company is declared bankrupt according to the law because it is unable to pay its debts upon maturity;
5. If the Company is lawfully ordered to close down as a result of violation of the law and administrative regulations.

Article 242 If the situation under Item (1) of Article 241 occurs, the Company can continue to operate after the Articles have been amended.

When the Articles have been amended according to the previous paragraph, it must be passed by shareholders with more than two-thirds of the voting rights attending the shareholders' general meeting.

Article 243 Where the Company is to be dissolved pursuant to Item (1) or (2) of Article 241, it shall establish a liquidation committee within 15 days. The members of such liquidation committee shall be determined by the shareholders' general meeting by way of an ordinary resolution.

Where the Company is to be dissolved pursuant to Item (4) of Article 241, the People's Court shall, in accordance with relevant laws, arrange for the shareholders, relevant authorities and relevant professionals to establish a liquidation committee to carry out liquidation.

Where the Company is to be dissolved pursuant to Item (5) of Article 241, the relevant authorities in charge shall arrange for the shareholders, relevant authorities and relevant professionals to establish a liquidation committee to carry out liquidation.

Article 244 If the board of directors decides that the Company should be liquidated (except the liquidation as a result of company's declaration of bankruptcy), the notice of the shareholders' general meeting convened for such purpose shall include a statement to the effect that the board of directors has made full inquiry into the position of the Company and that the board holds the opinion that the Company can pay its debts in full within 12 months after the announcement of liquidation.

The functions and powers of the board of directors shall terminate immediately after the shareholders' general meeting has adopted a resolution to carry out liquidation.

The liquidation committee shall take instructions from the shareholders' general meeting, and make a report to the shareholders' general meeting on the committee's income and expenditure, the business of the Company and the progress of the liquidation at least once a year. It shall make a final report to the shareholders' general meeting when the liquidation is completed.

Article 245 The liquidation committee shall notify creditors within a period of 10 days from the date of its establishment and publish at least three newspaper announcements on the liquidation within 60 days. Claims shall be

registered by the liquidation committee.

Article 246

The liquidation committee shall exercise the following functions and powers during liquidation:

1. thoroughly examine the property of the Company and prepare a balance sheet and a list of properties respectively;
2. notify creditors by a notice or public announcement;
3. dispose of and liquidate relevant unfinished business of the Company;
4. pay up all outstanding tax and pay up tax generated during the liquidation process;
5. clear up claims and debts;
6. dispose of the property left after full payment of the Company's debts;
7. participate in civil litigation on behalf of the Company.

Article 247

After the liquidation committee has thoroughly examined the Company's property and prepared a balance sheet and a list of properties, it shall formulate a liquidation plan and submit such plan to the shareholders' general meeting or relevant authorities in charge for confirmation.

The Company should allocate the remaining assets of the Company, after paying the liquidation charges, staff salary, social insurance, legally prescribed compensation, outstanding tax and company debts, in proportion to the shares held by shareholders.

During the liquidation period, the Company continues to exist, but it cannot commence operational activities not related to the liquidation. Before the Company assets have been used to pay off that as required in the preceding paragraph, it will not be distributed to shareholders.

Article 248

If the Company is liquidated due to dissolution and the liquidation committee, having thoroughly examined the Company's property and prepared a balance sheet and a list of properties, discovers that the Company's property is insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of bankruptcy.

After the People's Court has ruled to declare the Company bankrupt, the Company's liquidation committee shall refer the liquidation matters to the People's Court.

Article 249 Following the completion of liquidation, the liquidation committee shall formulate a liquidation report, a revenue and expenditure statement and financial account books in respect of the liquidation period and, after verification thereof by an accountant registered in China, submit the same to the shareholders' general meeting or the relevant authorities in charge for confirmation.

Within 30 days from the date of confirmation of the above-mentioned documents by the shareholders' general meeting or the relevant authorities in charge, the liquidation committee shall deliver the same to the company registry, apply for cancellation of the Company's registration and publicly announce the Company's termination.

Article 250 Members of the liquidation group should be loyal to their duties and perform liquidation duties according to the law.

Members of the liquidation group should not make use of their duties to receive bribes or other illegal income, and cannot embezzle the Company's assets.

If a member of the liquidation group causes losses to the Company or creditors, deliberately or due to a significant mistake, he should be responsible for compensation.

Article 251 When the Company is declared bankrupt according to the law, the bankruptcy liquidation will be handled according to the relevant law on enterprise bankruptcy.

## **Chapter 15 Amendment of the Articles of Association**

Article 252 The Company may amend its Articles of Association in accordance with the laws, administrative regulations and its Articles of Association.

Article 253 In any one of the following circumstances, the Company should amend its Articles:

1. After amendment of the Company Law or relevant laws or administrative regulations, the contents of the Articles conflict with the law or administrative regulations after the amendment;

2. The circumstances of the Company have changed so that they are different from the contents of the Articles;
3. The shareholders' general meeting decides to amend the Articles.

Article 254 Where an amendment to the Company's Articles of Association involves matters provided for in the Prerequisite Clauses, it shall become effective after being examined and approved by the departments authorized by the State Council to examine and approve companies and the State Council authorities in charge of securities. Where an amendment to the Company's Articles of Association involves matters of company registration, the registration shall be amended according to the law.

Article 255 The board of directors will amend these Articles according to the resolutions of the shareholders' general meeting to amend the Articles, and the opinion provided after examination by the authorities in charge.

Article 256 Amendment to the Articles which involves information to be disclosed, required by laws or regulations, should be publicly announced according to the requirements.

## **Chapter 16 Settlement of Disputes**

Article 257 The Company shall comply with the following principles of disputes settlement:

1. If any dispute or claim concerning the Company's business on the basis of the rights or obligations provided for in the Articles of Association of the Company or in the Company Law or other relevant laws or administrative regulations arises between a holder of foreign investment shares listed outside the People's Republic of China and the Company, between a holder of foreign investment shares listed outside the People's Republic of China and a director, a supervisor, general manager or other senior management staff of the Company or between a holder of foreign investment shares listed outside the People's Republic of China and a holder of domestic investment shares, the parties concerned shall submit the dispute or claim for arbitration.

When a dispute or claim as described above is submitted for arbitration, such dispute or claim shall be in its entirety, and all persons (being the Company or shareholders, directors, supervisors, the manager or other senior management staff of the Company) that have a cause of action due to the same facts or



whose participation is necessary for the settlement of such dispute or claim shall abide by arbitration.

Disputes concerning the definition of shareholders and the register of shareholders shall not be required to be settled by means of arbitration.

2. A dispute or claim submitted for arbitration may be arbitrated, at the option of the arbitration applicant, by 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. After the arbitration applicant has submitted the dispute or claim for arbitration, the other party must carry out arbitration in the arbitration institution selected by the applicant.

If the arbitration applicant opts for arbitration by the Hong Kong International Arbitration Centre, either party may request arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

3. Unless otherwise provided by the law or administrative regulations, the laws of the People's Republic of China shall apply to the settlement by means of arbitration of disputes or claims referred to in Item (1).
4. The award of the arbitration institution shall be final and binding upon each party.

## **Chapter 17 Supplementary Provisions**

Article 258 The board of directors can lay down by-laws of the Articles according to the requirements of the Articles. The by-laws cannot conflict with the Articles.

Article 259 The term "accounting firm" as used in the Articles of Association shall have the same meaning as "auditor".

Article 260 The Articles of Association shall have two versions: Chinese version and English version. The two versions shall have the same effect. If the two versions have conflicts, the Chinese version most recently examined and registered by administrative authorities for industry and commerce shall prevail.

Article 261            In these Articles, 'more than', 'including', 'less than' all include the proceeding number. 'Not exceeding', 'excluding', 'below', 'above' do not include the preceding number.

The board of directors of the company is responsible for explaining these Articles.