

# **ARTICLES OF ASSOCIATION OF WUMART STORES, INC.**

Please note that the Articles of Association are written in Chinese without an official English version. This English version is for reference only. In case of any inconsistency, the Chinese version shall prevail.

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NOTE: In the margin notes to the provisions of the Articles of Association, the "Mandatory Provisions" refer to the "Mandatory Provisions for Articles of Association of Companies Listed Overseas" jointly issued by the former State Council Securities Policy Committee and the former State Commission for Restructuring the Economic System; the "Listing Rules" refer to the "Rules Governing the Listing of Securities of the Stock Exchange" formulated by the Stock Exchange of Hong Kong Limited (the "Stock Exchange"); the "Zheng Jian Hai Han (証監海函)" refers to the "Circular Regarding Comments on the Amendments to Articles of Association of Companies Listed in Hong Kong" (Zheng Jian Hai Han [1995] No.1) jointly issued by the Overseas-Listing Department of the CSRC and the Production System Department of the former State Commission for Restructuring the Economic System; the "Opinions" refer to the "Opinions on Further Standardising Operations and Intensifying Reforms of Companies Listed Overseas" jointly issued by the State Economic and Trade Commission and the CSRC; and the "Practice Guidelines for Secretaries" refer to the "Practice Guidelines for Secretaries of the Board of the Companies Listed Overseas" issued by the CSRC.

# WUMART STORES, INC. ARTICLES OF ASSOCIATION

## CHAPTER 1 GENERAL PROVISIONS

- Article 1 Wumart Stores, Inc. (the “Company”) is a joint-stock limited company incorporated pursuant to the Company Law of the People’s Republic of China (the “Company Law”) and other relevant laws and administrative regulations.
- The Company, with the approval of Economic Restructuring Office, the People’s Government of Beijing Municipality as evidenced by the approval document Jing Zheng Ti Gai Gu Han No. 22 changed from a limited liability company into a joint-stock limited company. It was registered with the Beijing Administration for Industry and Commerce, People’s Republic of China (“PRC”) on 5 December 2002. The number of the Company’s business licence is: 1100001149504.
- The promoters of the Company include: Wumei Holding Group Co. Ltd., Beijing Wangshang Shijie E-business Co., Ltd., Beijing Hekang Youlian Technology Co. Ltd., Beijing Junhe Investment Co., Ltd. and Beijing Shuangchen Express Co., Ltd.
- Article 2 The registered name of the Company  
In Chinese: 北京物美商業集團股份有限公司  
In English: Wumart Stores, Inc.
- Article 3 The Company’s legal domicile: Room 8039, 8th Floor, Building 3, Court No. 30, Shixingdajie, Shijingshan District, Beijing.  
Postcode: 100039  
Telephone: (010) 88259488  
Facsimile: (010) 88258121
- Article 4 The Company’s legal representative is the Chairman of the board of the Company (the “Board”).
- Article 5 The Company is a joint stock limited company in perpetual existence.
- Article 6 The Company formulates articles of association (“Articles of Association” or the “Articles”) in accordance with the Company Law, Special Provisions Concerning the Floatation and Listing Abroad of Stocks by Joint Stock Limited Companies (“Special Provisions”), Mandatory Provisions for Articles of Association of Companies Listed Overseas (“Mandatory Provisions”) and other laws and administrative regulations of the State.

Article 7           The Articles of Association were approved by the special resolution of the Company’s general meeting and entered into force.

Article 8           From the date of the Articles of Association becoming effective, the Articles of Association constitute a legally binding document regulating the Company’s organization and activities, and the rights and obligations between the Company and each shareholder and among the shareholders inter se.

Article 9           The Articles of Association are binding on the Company and its shareholders, directors, supervisors, president and other senior management, all of whom are entitled to claim rights regarding the Company’s affairs in accordance with the Articles of Association.

Shareholders may sue the Company in accordance with the Articles of Association; the Company may sue its shareholders in accordance with the Articles of Association; shareholders may sue fellow shareholders in accordance with the Articles of Association; and shareholders may sue the directors, supervisors, general manager, president and other senior management members.

The term “sue” in the preceding Article shall refer to and include court proceedings and arbitration proceedings.

The “other senior management” in the Articles shall refer to the deputy president of the Company, the finance officer and the secretary to the Board.

Article 10          The Company may invest in other limited liability companies and joint-stock limited companies and undertake the responsibilities of the company invested with the limitation of the capital contribution amount.

With the approval by the Company’s examination and approval authority authorized by the State Council, the Company may operate according to its operational and management needs in the form of a holding company stated in Clause 2, Article 12 of the Company Law.

Article 11          In compliance with applicable laws and administrative regulations of the PRC, the Company has the power to raise or borrow money, including but not limited to the issue of debentures, the charging or pledging of the Company’s properties.

## CHAPTER 2 OBJECTIVES AND SCOPE OF BUSINESS

Article 12 The business objectives of the Company are: Under the mission of “Development of China’s own retail industry, improvement of the people’s living quality”, as well as for developing the retail industry of the Chinese nation and to become the “flagship” in the national retail industry. Through the operation and management of the chains of supermarkets and using the supermarkets and convenience stores as a platform to provide consumers with quality goods and convenient services for their daily needs.

Article 13 The scope of business of the Company shall be based on the items approved by the company registration authorities.

The business scope of the Company covers: Permitted business scope: ordinary cargo transportation; the following must be operated by specific branches only: retailing and leasing of books, newspapers, periodicals, audiovisual products and electronic publications officially published by the State; retailing of tobacco, cigars and cigarettes; on-site production and selling of cooked meat products (fried or grilled cooked meat products (fried meat balls, dried meat, fried or roasted chicken, fried or roasted duck, fried or roasted fish, grilled fish fillet, grilled squid shreds and fried or grilled meat products), seasoned or stewed cooked meat products (seasoned or stewed meat products, dried meat floss, barbecued meat and meat buns), main courses (cereals or noodles main courses (raw sliced noodles, dumpling wrappers, “won ton” wrappers, macaroni, rice vermicelli, rice noodles, wide strips rice noodles and fried glutens), steamed or boiled main courses (excluding fillings) (steamed rolls, steamed buns, steamed sponge cake, steamed corn bread and steamed buns in triangular shape), steamed or boiled main courses (including fillings) (buns, meat rolls, buns filled with vegetables, rice dumplings, buns filled with sweetened beans), fried main courses (fried bread sticks, scallion pancakes, fried glutinous rice balls with sesame, fried dough twists, crisp thin fritter twists, baked buns, deep-fried cakes, ear-shaped twists with sugar, deep-fried shin of bean curds, fried peanuts and fried broad beans), baked main courses (excluding fillings) (pancakes, clay oven rolls, leavened pancakes, abaisses, scallion pancakes, spring pancakes, spring roll wrappers, corn cakes, bread with sesame pastes, egg cakes and corn pancakes), baked main courses (including fillings) (spring rolls, thin pancakes, pies, turnovers and meat pies), baking products (baked or roasted products (excluding cold processing) (bread, cakes and biscuits), baking or roasted products (including cold processing) (baking products, butter sandwiches and puffs), cakes baked products (including cold processing) (decorated cakes, mousse cakes and cheese cakes), baking products made of cooked flour (rice cakes, glutinous rice cakes, Xinjiang glutinous rice cakes, rice puddings, “Rolling Donkey” (glutinous rice rolls with sweet bean flour), “Aiwowo” (steamed rice cakes with sweet stuffing) and hawthorn cakes) and bean curd products (non-fermented bean curd products (bean curds, dried bean curds, dried bean curd skins and shredded bean curds) and soya

milk; cold beverages (cold beverages (without fruit grains), ice-cream, ice frost and sweet ice), Oden, boiled corn, hard-boiled egg, roasted sweet potatoes, chestnut roasted with sugar, candied fruits, sushi, fried vegetables; selling of pre-packaged foods, unpackaged foods, dairy products (including infant formula milk powder), dairy products (excluding infant formula milk powder), agricultural and livestock (cereals, beans and tubers; seeds and feeds); health foods, liquor, foodstuffs (dried and fresh vegetables, dried and fresh fruits, unprocessed dried fruits, nuts, meats, poultries, eggs, aquatic products, rice, noodle products, edible oil, baked products, candies, sugar, salt, seasonings, butter and cheese food), tea leaves, beverages, nonstaple foods.

General business scope: purchasing and selling of general merchandise, metal hardware and chemicals (excluding dangerous chemicals and category I chemicals used in production of narcotic drugs), cosmetics, hygiene products, knitted and weaved textile products, apparels, shoes and hats, daily use products, construction materials, decoration materials, machinery equipment; metal hardware and electrical products and electronic products (machinery equipment; components of automobiles and motorcycles; hardware and electrical products, domestic appliances, computers, software and ancillary equipment, electronic products such as broadcasting television and communication equipment, metal products; generic devices; specialized devices; transportation equipment; electrical apparatus; electronic products, parts and components; instruments and apparatus and machineries for cultural or office uses); kitchen or bathroom appliances, daily use products and others (clocks, eyewear; cases or bags; furniture; lighting fixtures; facings or coverage of walls, floors and other products; non-electrical healthcare and medical auxiliary instruments; baby products; accessories and gifts); mineral products, building materials and chemical products (coal and coal products, oil and oil products; mineral products; building materials; fertilizers, pesticide, plastic sheeting for farm use; chemical products); contraceptives, fresh flowers, medical equipment (excluding category II and III medical equipment), office stationeries, jewellery, handicrafts and collectibles, cultural and sport appliances and instruments and others (toys, recreation supplies, indoor recreation instruments; musical instruments; photographic apparatus); handicraft artwork and others (charcoals, woods; animal drug; commercial encrypted products; wild animals protected by the State and plantation); leasing of consignment counter; technical consultancy; technical services; engaging in commercial broker business; purchasing and selling of agricultural by-products; property leasing; commercial property leasing; public car park services; laundry; colour photograph development; photocopying; leasing of commercial facilities; designing, producing, acting as agency for and publishing of advertisements; optical testing and glasses prescription; car washing service; body building services; sale of food additives, body temperature thermometers, sphygmomanometers, magnetic therapy equipment, medical purified cottons, medical purified gauze, medical sanitary masks, home blood glucose meters, blood glucose test strips, pregnancy test papers (early pregnancy test papers), condoms, diaphragms, wheelchairs, medical sterile gauze; import and export of goods, import and export of technology and import and export agency.

### CHAPTER 3 SHARES AND REGISTERED CAPITAL

- Article 14 The Company shall have ordinary shares at all times. The ordinary shares issued by the Company include domestic shares and foreign shares. It may provide other kinds of shares according to Company need, upon approval of the examination and approval authorities of the company that are authorized by the State Council.
- Article 15 All the shares issued by the Company shall have a par value which shall be RMB1 for each share.
- The term “RMB” in the preceding Article shall refer to the legal tender of the People’s Republic of China.
- Article 16 Subject to the approval of China Securities Regulatory Commission, the Company may issue shares to domestic and foreign investors.
- The term “foreign investors” in the preceding Article shall refer to investors from foreign countries or from Hong Kong, Macau or Taiwan that subscribe for shares issued by the Company, and the term “domestic investors” shall refer to investors within the People’s Republic of China, excluding the above-mentioned regions, that subscribe for shares issued by the Company.
- Article 17 Shares issued by the Company to domestic investors for subscription in Renminbi shall be referred to as domestic shares. Shares issued by the Company to overseas investors for subscription in foreign currency shall be referred to as foreign shares. Foreign shares which are listed outside the PRC shall be referred to as overseas listed foreign shares. Both the shareholders of the domestic shares and overseas listed foreign shares are shareholders of the ordinary shares and shall have the same obligations and rights.
- The term “foreign currency” in the preceding Article shall refer to a legal currency (other than Renminbi) of other countries or regions which is recognized by the foreign exchange administration authority of the State and can be used for payment of the Company’s shares.
- Article 18 Overseas listed foreign shares issued by the Company and listed in Hong Kong shall be referred to as H shares for short. H shares refer to the shares approved to be listed on the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), the par value of which are denominated in Renminbi (RMB), and are subscribed for and traded in Hong Kong dollars.
- Article 19 When the Company is transformed into a joint-stock limited company from a limited liability company, the total number of the ordinary shares issued by the Company is 178,445,000 shares and all of them are domestic shares issued to the promoters with the approval by the Company’s examination and approval authority authorized by the State Council.

Article 20 After the Company is transformed into a joint-stock limited company and upon the approval by the securities regulatory authority of the State Council, the Company issued 536,568,000 H shares, accounting for 41.88% of the issuable ordinary shares of the Company.

The existing share capital structure of the Company is: 1,281,274,116 ordinary shares which par value of RMB1 each, including 713,780,000 shares held by the promoters, accounting for 55.71% of the total share capital of the Company, 30,926,116 shares held by the other domestic shareholders, accounting for 2.41% of the total share capital of the Company, and 536,568,000 shares held by H shareholders, accounting for 41.88% of the total share capital of the Company.

Shares held by the promoters are as follows:

<b>Name of the promoter</b>	<b>Number of Shares</b>	<b>Share ratio</b>
Wumei Holding, Inc.	497,932,928 shares	69.76%
Beijing Wangshang Shijie E-business Co., Ltd.	160,457,744 shares	22.48%
Beijing Hekang Youlian Technology Co. Ltd.	24,982,300 shares	3.50%
Beijing Junhe Investment Co., Ltd.	23,269,228 shares	3.26%
Beijing Shuangchen Express Co., Ltd.	7,137,800 shares	1.00%
<b>Total</b>	<b>713,780,000 shares</b>	<b>100.00%</b>

Article 21 Subject to approval of the plan of issuing overseas listed foreign shares and domestic shares of the Company by the securities regulatory authority under the State Council, the Board of the Company may implement arrangement regarding the issue of shares respectively.

The Company may separately implement its plan to issue overseas listed foreign shares and domestic shares pursuant to the preceding paragraph within 15 months from the date of approval by the securities regulatory authority under the State Council.

Article 22 Where the Company issues overseas-listed foreign shares and domestic shares respectively within the total number of shares as stated in the issuance proposal, the respective shares shall be subscribed for in full at one time. Should the shares can not be subscribed for in full at one time due to special circumstances, these shares may be issued in separate issues subject to the approval by the securities regulatory authority of the State Council.

Article 23 The Company's registered share capital is RMB1,281,274,116.



Article 24           The Company may, based on its operational and development needs and in accordance with the relevant provisions of the Articles of Association, approve an increase of capital.

The Company may increase its capital in the following manners:

- (1) by offering new shares for subscription by unspecified investors;
- (2) by placing new shares to its existing shareholders;
- (3) by allotting bonus shares to its existing shareholders;
- (4) by any other means which is permitted by laws and administrative regulations.

The Company’s increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations of the State.

Article 25           Unless otherwise provided by laws and administrative regulations, shares of the Company are freely transferable and are not subject to any lien.

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

Article 26           In accordance with the provisions of the Articles of Association, the Company may reduce its registered capital.

Article 27           The Company must prepare a balance sheet and list of assets for reduction of registered capital.

The Company shall notify its creditors within ten (10) days from the date of the Company’s resolution on reduction of capital and shall publish an announcement in newspaper within thirty (30) days from the date of such resolution at least three (3) times. A creditor has the right, within thirty (30) days of receiving the notice from the Company or, in the case of a creditor who does not receive the notice, within ninety (90) days from the date of the first announcement, to require the Company to repay its debt or provide a corresponding guarantee for such debt.

The registered share capital of the Company following the reduction of capital shall not fall below the minimum statutory requirement.

Article 28           The Company may, in accordance with the procedures set out in the Articles of Association and with the approval of the relevant governing authority of the State, repurchase its outstanding shares under the following circumstances:

- (1) cancellation of shares for the purposes of reducing its share capital;
- (2) merging with another company that holds shares in the Company;
- (3) other circumstances as permitted by laws and administrative regulations.

Article 29 The Company may, with the approval of the relevant governing authority of the State for repurchasing its shares, conduct the repurchase in one of the following manners:

- (1) to make a pro rata general offer of repurchase to all of its shareholders;
- (2) to repurchase shares through public trading on a stock exchange;
- (3) to repurchase through an off-market agreement.

Article 30 Where the Company repurchases its shares through an off-market agreement, it shall seek prior approval of the shareholders at general meeting in accordance with the Articles of Association. The Company may release or vary a contract so entered into by the Company or waive its rights thereunder with prior approval by shareholders at general meeting obtained in the same manner.

The contract to repurchase shares as referred to in the preceding paragraph includes, but not limited to, an agreement to become obliged to repurchase or to acquire the right to repurchase shares.

The Company shall not assign a contract for repurchasing its shares or any of its right thereunder.

Where the Company has the power to purchase for redemption a redeemable share, purchases not made through the market or by offer shall be limited to a maximum price; if purchases are by offer, the offer shall be made available to all shareholders alike.

Article 31 After the Company repurchased its shares pursuant to the laws, it should cancel such part of the shares within the term specified by the laws and administrative rules and applied to the former registry of the Company for registration of alteration of the registered capital.

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

Article 32 Unless the Company is in the course of liquidation, it must comply with the following provisions in respect of repurchase of its outstanding shares:

- (1) where the Company repurchases its shares at par value, payment shall be made out of book balance of the distributable profits of the Company or out of proceeds of a fresh issue of shares made for that purpose;

- (2) where the Company repurchases its shares at a premium to their par value, payment representing the par value shall be made out of the book balance of distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
  1. if the shares being repurchased were issued at par value, payment shall be made out of the book balance of the distributable profits of the Company;
  2. if the shares being repurchased were issued at a premium to their par value, payment shall be made out of the book balance of the distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate of premiums received by the Company on the issue of the shares repurchased nor the current amount of the Company's share premium account (or capital reserve account) (including the premiums on the fresh issue);
- (3) payment by the Company in consideration of the following shall be made out of the Company's distributable profits:
  1. acquisition of rights to repurchase shares of the Company;
  2. variation of any contract for repurchasing shares of the Company;
  3. release of any of the Company's obligation under any contract for repurchasing its shares;
- (4) after the Company's registered share capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value portion of the shares repurchased shall be transferred to the Company's capital reserve account.

## **CHAPTER 5 FINANCIAL ASSISTANCE FOR ACQUISITION OF THE COMPANY'S SHARES**

Article 33            The Company and its subsidiaries shall not, by any means at any time, provide any kind of financial assistance to a person who is acquiring or is proposing to acquire shares of the Company. The said acquirer of shares of the Company includes a person who directly or indirectly assumes any obligations due to the acquisition of shares of the Company.

The Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer for the purpose of reducing or discharging the obligations assumed by that person.

This provision shall not apply to the circumstances stated in Article 35.

Article 34 The financial assistance referred to in this Chapter includes (but not limited to) the following means:

- (1) gift;
- (2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation in respect of the Company's own default) or release or waiver of any rights;
- (3) provision of loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the assignment of rights arising under, such loan or agreement;
- (4) any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

The expression "assuming an obligation" referred to in this Chapter includes the assumption of obligations by the changing of the obligor's financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

Article 35 The following activities shall not be deemed to be activities as prohibited in Article 33:

- (1) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interest of the Company, and the principal purpose of giving the financial assistance is not for the acquisition of shares of the Company, or the giving of the financial assistance is a part of a master plan of the Company;
- (2) the lawful distribution of the Company's assets by way of dividend;
- (3) the allotment of bonus shares as dividends;

- (4) a reduction of registered capital, a repurchase of shares or a reorganization of the share capital structure of the Company effected in accordance with the Articles of Association;
- (5) the lending of money by the Company within its scope of business and in the ordinary course of its business (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are reduced, the financial assistance is provided out of the distributable profits of the Company);
- (6) the provision of money by the Company for contributions to staff and employee shareholding schemes (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are reduced, the financial assistance is provided out of the distributable profits of the Company).

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

Article 36           The Company's share certificates shall be in registered form.

The following major items shall be specified on the share certificate of the Company:

- (1) the Company's name;
- (2) the date of registration of the Company;
- (3) the class of the share certificate, the par value and the number of shares represented by the share certificate;
- (4) the serial number of the share certificate;
- (5) In addition to those provided in the Company Law and Special Regulations, a share certificate of the Company shall also contain any other items required to be specified by the stock exchange(s) on which the shares of the Company are listed.

Article 37           The share certificates of the Company can be transferred, given by way of gift, inherited and mortgaged in accordance with the provisions of the relevant laws, administrative rules and these Articles of Association.

The transfer and transmission of the shares should be registered in the share registration organ entrusted by the Company.

Article 38           The share certificates shall be signed by the Chairman. Where the stock exchange on which the shares of the Company are listed requires the share certificates to be signed by other senior management, the share certificates shall also be signed by such senior management. The share certificates shall take effect after being affixed, or affixed by way of printing, with the seal of the Company (including the Company's securities seal). The share certificates shall only be affixed with the Company's seal or the Company's securities seal under the authorization of the Board. The signatures of the Chairman of the Company or other relevant senior management on the share certificates may also be in printed form.

Article 39           The Company shall keep a register of members, which shall contain the following particulars:

- (1)   the name, address (domicile), occupation or nature of each shareholder;
- (2)   the class and number of shares held by each shareholder;
- (3)   the amount paid-up or payable in respect of shares held by each shareholder;
- (4)   the serial numbers of the shares held by each shareholder;
- (5)   the date on which a person registers as a shareholder;
- (6)   the date on which a person ceases to be a shareholder;

The register of members shall be sufficient evidence of the holding of the Company's shares by a shareholder, unless there is evidence to the contrary.

Article 40           The Company may keep the register of holders of the overseas listed foreign shares overseas in accordance with the understanding and agreement between the organ under the State Council in charge of securities and the overseas securities regulatory authority and appoint an overseas agent for management. The original of the register of holders of the overseas listed foreign shares listed in Hong Kong should be kept in Hong Kong.

The Company shall maintain a duplicate of the register of holders of overseas listed foreign shares at the Company's domicile; the appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the register of holders of overseas-listed foreign shares at all times.

If there is any inconsistency between the original and the duplicate of the register of holders of overseas-listed foreign shares, the original version shall prevail.

Article 41           The Company shall keep a complete register of members.

The register of members shall include the following:

- (1) the register of members maintained at the Company's domicile (other than those parts as described in items (2) and (3) of this Article);
- (2) the register of members in respect of the holders of overseas-listed foreign shares of the Company maintained at the place where the overseas stock exchange on which the shares are listed is located;
- (3) the register of members maintained at such other place as the Board may consider necessary for the purpose of listing of the Company's shares.

Article 42           Different parts of the register of members shall not overlap one another. No transfer of the shares registered in any part of the register shall, during the existence of that registration, be registered in any other part of the register of members.

All fully paid-up overseas-listed foreign shares which are listed in Hong Kong are freely transferable pursuant to the Articles of Association. However, the Board may refuse to recognize any instrument of transfer without giving any reason unless such transfer fulfills the following conditions:

- (1) A fee of HK\$2.5 per instrument of transfer or such higher amount as prescribed by the prevailing Listing Rules (or as required by the Hong Kong Stock Exchange in other legal documents) has been paid to the Company for registration of transfer and other documents relating or which will affect the right of ownership of the shares;
- (2) the instrument of transfer involves only the overseas-listed foreign shares listed in Hong Kong;
- (3) the stamp duty payable on the instrument of transfer has been paid;
- (4) the relevant share certificates and evidence reasonably required by the Board showing that the transferor has the right to transfer such shares have been provided;
- (5) if the shares are to be transferred to joint holders, the number of such joint holders shall not exceed four (4);
- (6) the Company does not have any lien over the relevant shares.

Changes to or corrections of any part of the register of shareholders shall be conducted in accordance with the laws of the place where such part of the register of shareholders is kept.

Article 43 Transfers may not be entered in the register of members within thirty (30) days prior to the date of a shareholders' general meeting or within five (5) days before the record date set by the Company for the purpose of distribution of dividends.

Article 44 When the Company intends to convene a shareholders' general meeting, distribute dividends, liquidate and engage in other activities that involve determination of shareholdings, the Board shall decide on a date as the record date for the determination of rights attaching to shares in the Company. Shareholders whose names appear in the register of members at the end of the record date are considered shareholders of the Company.

Article 45 Any person who objects to the register of members and requests to have his name entered in or removed from the register of members may apply to a court of competent jurisdiction for rectification of the register.

Article 46 Any shareholder who is registered in, or any person who requests to have his name entered in, the register of members may, if his share certificate (the "original certificate") is lost, apply to the Company for a replacement share certificate in respect of such shares (the "relevant shares").

If a holder of the domestic shares loses his share certificate and applies for replacement, it shall be dealt with in accordance with the provisions of Article 150 of the Company Law.

If a holder of overseas-listed foreign shares loses his share certificate and applies for replacement, it may be dealt with in accordance with the relevant laws, the rules of the stock exchange and other relevant regulations of the place where the original register of holders of overseas-listed foreign shares is kept.

The issue of replacement certificates to holders of H shares shall comply with the following requirements:

- (1) The applicant shall submit an application to the Company in prescribed form accompanied by a notarial certificate or statutory declaration, containing the grounds upon which the application is made and the circumstances and evidence of the loss of the share certificate as well as declaring that no other person shall be entitled to request to be registered as the shareholder in respect of the relevant shares.



- (2) No statement has been received by the Company from a person other than the applicant for having his name registered as a holder of the relevant shares before the Company came to a decision to issue the replacement certificate.
- (3) The Company shall, if it decides to issue a replacement certificate to the applicant, make an announcement of its intention to issue the replacement certificate in such newspapers designated by the Board. The announcement shall be made at least once every thirty (30) days in a period of ninety (90) days.
- (4) The Company shall have, prior to the publication of its announcement of intention to issue a replacement certificate, delivered to the stock exchange on which its shares are listed a copy of the announcement to be published. The Company may publish the announcement upon receiving a confirmation from such stock exchange that the announcement has been exhibited at the premises of the stock exchange. The announcement shall be exhibited at the premises of the stock exchange for a period of ninety (90) days. In case an application to issue a replacement certificate has been made without the consent of the registered holder of the relevant shares, the Company shall send by post to such registered shareholder a copy of the announcement to be published.
- (5) If, upon expiration of the 90-day period referred to in items (3) and (4) of this Article, the Company has not received from any person any objection to such application, the Company may issue a replacement share certificate to the applicant according to his application.
- (6) Where the Company issues a replacement certificate under this Article, it shall forthwith cancel the original certificate and enter the cancellation and issue in the register of members accordingly.
- (7) All expenses relating to the cancellation of an original certificate and the issue of a replacement share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until a reasonable guarantee is provided by the applicant for such expenses.

#### Article 47

Where the Company issues a replacement certificate pursuant to the Articles of Association, the name of a bona fide purchaser who obtains the aforementioned new share certificate or a shareholder who thereafter registers as the owner of such shares (in the case that he is a bona fide purchaser) shall not be removed from the register of members.

Article 48           The Company shall not be liable for any damages sustained by any person by reason of the cancellation of the original certificate or the issuance of the replacement certificate, unless the claimant proves that the Company had acted fraudulently.

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

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

A shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class and number of shares he holds. Shareholders holding the same class of shares shall be entitled to the same rights and assume the same obligations.

The Company shall not freeze or otherwise impair any right of any persons for reason that the person fails to disclose that he directly or indirectly enjoys rights attached to the shares of the Company.

For joint holding of any shares, if one of the joint shareholders is deceased, only the other surviving shareholders of the joint shareholder shall be deemed as the persons who have the ownership of the relevant shares. But the Board has the power to require them to provide a certificate of death of the relevant shareholder as necessary for the purpose of modifying the relevant register of members. In respect of any of the joint shareholders of the shares, only the joint shareholder ranking first in the register of members has the right to accept certificate of the relevant shares from the Company, receive notices of the Company, attend and vote at shareholders' general meetings of the Company of all the relevant shares. Any notice which is delivered to the aforesaid shareholder shall be deemed as such notice has been duly delivered to all the joint shareholders of the relevant shares.

Article 50           The ordinary shareholders of the Company shall be entitled to the following rights:

- (1)   the right to dividends and other forms of distribution in proportion to the number of shares held;
- (2)   the right to attend or appoint a proxy to attend shareholders' general meetings and to exercise the voting right thereat;
- (3)   the right to supervise and manage the business activities of the Company and to put forward proposals and raise inquiries;
- (4)   the right to transfer shares in accordance with the laws, administrative regulations and provisions of the Articles of Association;

- (5) the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:
  1. to obtain a copy of the Articles of Association, subject to payment of the cost of such copy;
  2. to inspect and copy, subject to payment of a reasonable charge:
    - (i) all parts of the register of members;
    - (ii) personal particulars of each of the Company's Directors, supervisors, president and other senior management including:
      - (a) present name and alias and any former name and alias;
      - (b) principal address (domicile);
      - (c) nationality;
      - (d) primary and all other part-time occupations;
      - (e) identification document and its number;
  3. report on the state of the Company's share capital;
  4. reports showing the aggregate par value, quantity, maximum and minimum price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount incurred by the Company for this purpose;
  5. minutes of shareholders' general meetings.
- (6) in the event of termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the number of shares held;
- (7) other rights conferred by laws, administrative regulations and the Articles of Association.

Article 51      The ordinary shareholders of the Company shall assume the following obligations:

- (1) to abide by the Articles of Association.

- (2) to pay subscription monies according to the number of shares subscribed and the method of subscription.
- (3) other obligations imposed by laws, administrative regulations and the Articles of Association.

Shareholders are not liable to make any further contribution to the share capital other than as agreed by the subscribers of the relevant shares on subscription.

#### Article 52

In addition to obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchange on which shares of the Company are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of all or some of the shareholders of the Company:

- (1) to relieve a Director or supervisor of his duty to act honestly in the best interests of the Company;
- (2) to approve the expropriation by a Director or supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company's assets, including (without limitation) opportunities beneficial to the Company;
- (3) to approve the expropriation by a Director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights save for a restructuring of the Company submitted to the general meeting of shareholders for approval in accordance with the Articles of Association.

Shareholders' general meeting may authorize or entrust the Board to handle the matters which it authorizes or entrusts to handle.

#### Article 53

The term "controlling shareholder" herein referred to the person who satisfies any one of the following conditions:

- (1) a person who, acting alone or in concert with others, has the power to elect more than half of the Board members;
- (2) a person who, acting alone or in concert with others, has the power to exercise or to control the exercise of 30% (inclusive) or more of the voting rights in the Company;
- (3) a person who, acting alone or in concert with others, holds 30% (inclusive) or more of the issued and outstanding shares of the Company;

- (4) a person who, acting alone or in concert with others, can effectively control the Company in any other way.

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

Article 54 The shareholders' general meeting is the organ of power of the Company and shall exercise its functions and powers in accordance with the law.

Article 55 The shareholders' general meeting may exercise the following functions and powers:

- (1) to decide on the operating policies and investment plans of the Company;
- (2) to elect and replace Directors and decide on matters relating to the remuneration of Directors;
- (3) to elect and replace the supervisors who are representatives of shareholders and decide on matters relating to the remuneration of supervisors;
- (4) to examine and approve reports of the Board;
- (5) to examine and approve reports of the Supervisory Committee;
- (6) to examine and approve the Company's proposed annual preliminary and final financial budgets;
- (7) to examine and approve the Company's profit distribution plans and plans for making up losses;
- (8) to decide on increases or reductions in the Company's registered capital;
- (9) to decide on matters such as merger, division, dissolution and liquidation of the Company;
- (10) to decide on the issue of bonds by the Company;
- (11) to adopt resolutions on the Company's appointments, dismissals or non-reappointments of accounting firms;
- (12) to amend the Articles of Association;
- (13) to examine the proposals submitted by shareholders holding not less than 5% (inclusive) of the Company's voting shares;

- (14) other matters required by laws, administrative regulations and the Articles of Association to be resolved by the general meeting of shareholders.

Article 56 Unless prior approval is obtained in a shareholders' general meeting, the Company shall not enter into any contract with any party other than the Directors, supervisors, president and other senior management pursuant to which such party shall be responsible for managing the whole or any substantial part of the Company's business.

Article 57 General meetings of shareholders shall be annual general meetings and extraordinary general meetings. A general meeting of shareholders shall be convened by the Board. The annual general meeting of shareholders shall be held once every year within six (6) months after the end of the previous accounting year.

The Board shall hold an extraordinary general meeting of shareholders within two months upon the occurrence of one of the following circumstances:

- (1) the number of Directors is less than the number required by the Company Law or less than two-thirds of the number required by the Articles of Association;
- (2) the uncovered losses are in excess of one-third of the Company's total share capital;
- (3) shareholders holding not less than 10% (inclusive) of the Company's issued and outstanding shares with voting rights request in writing to hold an extraordinary general meeting;
- (4) the Board considers it necessary or the Supervisory Committee proposes to hold such a meeting.

Article 58 When the Company convenes a shareholders' general meeting, it shall issue a written notice forty-five (45) days prior to the meeting informing all the registered shareholders of the matters to be considered at the meeting as well as the date and place of the meeting. Shareholders who intend to attend the shareholders' general meeting shall, within twenty (20) days prior to the meeting, deliver a written reply to the Company confirming attendance at the meeting.

Article 59 In the annual general meeting of shareholders of the Company, shareholders holding more than 5% (inclusive) of the total voting shares of the Company, are entitled to propose new resolutions in written form. The Company shall include those matters which are within the scope of duties of the shareholders' general meeting into the agenda.

Article 60           The Company shall, based on the written replies received twenty (20) days before the date of the shareholders' general meeting from the shareholders, calculate the number of voting shares represented by shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting reaches not less than one half of the Company's total voting shares, the Company may hold the meeting. If not, the Company shall within five (5) days notify the shareholders again by public notice of the matters to be considered, the place and the date of the meeting. The Company may then hold the meeting after such publication of such notice. Such notice shall be published on newspapers.

An extraordinary general meeting of shareholders shall not decide on any matter not stated in the notice of the meeting.

Article 61           A notice of the general meeting shall meet the following requirements:

- (1) be in writing;
- (2) specify the place, date and time of the meeting;
- (3) state the matters to be discussed at the meeting;
- (4) provide such information and explanation as are necessary for the shareholders to make an informed decision on the proposals put before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase the shares of the Company, to reorganize its share capital, or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed contract, if any, and the cause and effect of such proposal must be properly explained;
- (5) contain a disclosure of the nature and extent, if any, of the material interests of any Director, supervisor, president and other senior management in the proposed transaction and the effect which the proposed transaction will have on them in their capacity as shareholders in so far as it is different from the effect on the interests of shareholders of the same class;
- (6) contain the full text of any special resolution to be proposed at the meeting;
- (7) contain a conspicuous statement that a shareholder entitled to attend and vote at such meeting is entitled to appoint one or more proxies to attend and vote at such meeting on his behalf and that a proxy need not be a shareholder;

- (8) specify the time and place for lodging proxy forms for the relevant meeting.

Article 62 Notice of shareholders' general meetings shall be served on each shareholder (whether or not such shareholder is entitled to vote at the meeting), by personal delivery or prepaid mail to the address of the shareholder as shown in the register of members. For the holders of domestic shares, notice of the meetings may also be issued by way of public announcement. Subject to compliance with the laws and regulations of the places of incorporation and listing of the Company and the Listing Rules, the aforesaid notice of general meetings may be sent or given in the manner provided under Article 180 in lieu of delivery in person or sending by mail or by way of announcement as aforesaid.

The public announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities authority of the State Council within the interval of forty-five (45) days to fifty (50) days before the date of the meeting. After the publication of such announcement, the holders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

The Company shall issue a notice, so that holders of overseas listed foreign shares whose registered addresses are in Hong Kong may have sufficient time to exercise their rights or to act in accordance with the terms of the notice.

Article 63 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive such notice shall not invalidate the meeting and the resolutions passed at the meeting.

Article 64 Any shareholder entitled to attend and vote at the general meeting shall have the right to appoint one or several persons (who may not be shareholders) to act as his proxy to attend and vote at the meeting on his behalf. A proxy so appointed shall be entitled to exercise the following rights pursuant to the authorization from that shareholder:

- (1) the shareholder's right to speak at the meeting;
- (2) the right to demand or join in demanding a poll; and
- (3) the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.



Article 65           The instrument appointing a proxy must be in writing under the hand of the shareholder or his attorney duly authorized in writing; for a corporate shareholder, the proxy must be affixed with the common seal or signed by its director or attorney duly authorized in writing. Such letter of attorney shall state the number of shares represented by the proxy. If several proxies are appointed, such letter of attorney shall clearly indicate the number of shares represented by each proxy.

Article 66           Proxy forms shall be lodged at the domicile of the Company or other places specified in the notice of meeting 24 hours before the relevant meeting for voting according to the proxy form, or 24 hours before the designated time of voting. Where the proxy form is signed by a person under a power of attorney on behalf of the appointer, the power of attorney or other authorization documents authorized to be signed shall be notarized. A notarially certified copy of that power of attorney or other authorization documents, together with the proxy form, shall be deposited at the domicile of the Company or other places specified in the notice of meeting.

Where the appointer is a corporation, its legal representative or other persons authorized by the resolutions of the Board or other decision-making organ to act as its representatives may attend the general meeting of the Company as a representative of the appointer.

If the said shareholder is a recognized clearing house (“recognized clearing house”) or its nominee under the relevant provisions of the Hong Kong laws from time to time, the shareholder may authorize one or more suitable person to act as its representative at any shareholders’ general meeting or at any class meeting; however, if more than one person are authorized, the power of attorney shall clearly indicate the number and class of the shares involved by way of the said authorization. The persons after such authorization may represent the recognized clearing house (or its nominee) to exercise the rights, as if they were individual shareholders of the Company.

Article 67           Any form issued to a shareholder by the Board for use by him for appointing a proxy shall allow the shareholder to freely instruct the proxy to cast vote in favour of or against each resolution dealing with the businesses to be transacted at the meeting. Such letter of authorization shall contain a statement that in the absence of instructions by the shareholder, his proxy may vote as he thinks fit.

Article 68           Where the appointer has deceased, incapacitated to act, withdrawn the appointment or the power of attorney, or where the relevant shares have been transferred prior to the voting, a vote given in accordance with the letter of authorization shall remain valid provided that no written notice of such event has been received by the Company prior to the commencement of the relevant meeting.

Article 69            There shall be two types of resolutions of shareholders' general meetings, namely ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than one-half of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favour of the resolution in order for it to be passed.

To adopt a special resolution, votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favour of the resolution in order for it to be passed.

A shareholder (including his proxy) attending the meeting shall vote in favour of or against each resolution relating to every matter which has been put to vote at the relevant meeting. If a shareholder or his proxy abstains from voting, any vote by such shareholder or his proxy shall not be counted in the voting results of the Company.

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

Article 70            A shareholder (including his proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote.

Where any shareholder is, under any applicable laws and regulations and the listing rules of the place of listing of the Company's shares, required to abstain from voting on a particular resolution or restricted to vote only in favour of or against any particular resolution, any votes cast by such shareholder (of his proxy) in contravention of such requirement or restriction shall not be counted.

Article 71            Unless otherwise required by the laws, administrative regulations, competent regulatory authority or the listing rules of the stock exchange where the shares of the Company are listed, at any shareholders' general meeting, a resolution shall be decided on a show of hands unless a poll is demanded by the following persons before or after deciding on a show of hands:

- (1) the chairman of the meeting;
- (2) at least two shareholders entitled to vote or their proxies; or

- (3) one or more shareholders (including proxies) individually or jointly holding more than 10% (inclusive) of the voting shares represented by all shareholders present at the meeting.

A declaration by the chairman of the meeting that a resolution has on a show of hands been carried, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution at the meeting.

The Company is only required to disclose details of the votes in favour of or against the resolution if such requirement is stipulated under the laws, administrative regulations, or required by the competent regulatory authority or the listing rules of the stock exchange where the shares of the Company are listed.

The demand for a poll may be withdrawn by the person who makes such demand.

Article 72 A poll demanded on such matters as the election of chairman or adjournment of the meeting shall be taken forthwith. A poll demanded on any other matters shall be taken at such time as the chairman may decide, and the meeting may proceed to discuss other matters, while the results of the poll shall still be deemed to be a resolution passed at that meeting.

Article 73 On a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all his votes in the same way.

Article 74 When the number of votes for and against a resolution is equal, whether the vote is taken by show of hands or by ballot, the chairman of the meeting shall be entitled to one additional vote.

Article 75 The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

- (1) work reports of the Board and the Supervisory Committee;
- (2) plans formulated by the Board for distribution of profits and for making up losses;
- (3) the appointment and removal of members of the Board and the Supervisory Committee and their remuneration and payment methods;
- (4) the Company's annual financial budgets and final accounts, balance sheets, income statements and other financial statements;

- (5) matters other than those required by the laws and administrative regulations or by the Articles of Association to be adopted by special resolutions.

Article 76 The following matters shall be resolved by a special resolution at a shareholders' general meeting:

- (1) increase or reduction of the share capital and issue of shares of any class, stock warrants or other similar securities;
- (2) issuance of corporate bonds;
- (3) the division, merger, dissolution, liquidation;
- (4) amendments to the Articles of Association;
- (5) any other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to have a substantial impact on the Company and require approval by a special resolution.

Article 77 The resolution passed by the shareholders' general meeting shall comply with the relevant requirements of the laws and administrative regulations of the PRC and the Articles of Association.

Article 78 Shareholders who request for the convening of an extraordinary general meeting or a class meeting shall comply with the following procedures:

- (1) Two or more shareholders holding in aggregate 10% (inclusive) or more of the shares carrying the right to vote at the meeting sought to be held shall sign one or more counterpart requisitions stating the object of the meeting and requiring the Board to convene a shareholders' extraordinary general meeting or a class meeting thereof. The Board shall as soon as possible proceed to convene the extraordinary general meeting of shareholders or a class meeting thereof after receipt of such requisition(s). The amount of shareholdings referred to above shall be calculated as at the date of deposit of the requisition(s).
- (2) If the Board fails to issue a notice of such a meeting within thirty (30) days from the date of receipt of the requisition(s), the shareholders may themselves convene such a meeting (in a manner as similar as possible to the manner in which shareholders' general meetings are convened by the Board) within four (4) months from the date of receipt of the requisition(s) by the Board.

Any reasonable expenses incurred by the shareholders by reason of failure by the Board to duly convene a meeting shall be repaid to the shareholders by the Company and any sum so repaid shall be set-off against sums owed by the Company to the defaulting directors.

Article 79 Shareholders' general meetings shall be convened and presided over by the Chairman of the Board and in the failure of which, the Vice Chairman shall convene and preside over the meeting. In the event that both the Chairman and the Vice Chairman fail to attend the meeting, one Director shall be designated by the Board to convene and preside over the meeting on its behalf. In the event that no such designation is made, one shareholder as elected from the attending shareholders may preside over the meeting. If, for any reason, the attending shareholders fail to elect one to be the Chairman, the attending shareholder (or his proxy) who holds the most voting shares shall be the Chairman.

Article 80 The Chairman of the meeting shall determine whether or not a resolution of the shareholders' general meeting shall be adopted. His decision shall be final and conclusive and shall be announced at the meeting and recorded in the minutes.

Article 81 In the event that the Chairman of the meeting has any doubt as to the result of a resolution put forward to the vote, he may have the votes counted. In the event that the Chairman of the meeting fails to have the votes counted, any shareholder present in person or by proxy who objects to the result announced by the Chairman of the meeting may demand that the votes be counted immediately after the declaration of the voting result, and the Chairman of the meeting shall have the votes counted immediately.

Article 82 The resolution passed by the shareholders' general meeting shall be recorded in the minutes of the meeting in Chinese and the officer taking the minutes and the attending Directors shall sign the minutes of the meeting. In the event that the votes are counted at the general meeting, the counting results shall be recorded in the minutes of the meeting.

The minutes of the meeting together with the attendance book for shareholders' signing and the proxy forms for proxies attending the meeting shall be kept at the domicile of the Company.

Article 83 Copies of the minutes of the meeting shall be available for inspection during business hours of the Company by any shareholder free of charge. If a shareholder demands from the Company a copy of such minutes, the Company shall send a copy to him within seven (7) days after receipt of reasonable charges.

## **CHAPTER 9 SPECIAL PROCEDURES FOR VOTING BY A CLASS OF SHAREHOLDERS**

Article 84 Shareholders holding different classes of shares shall be class shareholders.

Class shareholders shall be entitled to the rights and assume obligations pursuant to the provisions of the laws, administrative regulations and the Articles of Association.

Article 85 Any variation or abrogation of the rights of any class of shareholders proposed by the Company may only come into effect upon the adoption of a special resolution at a shareholders' general meeting and approval by the affected shareholders of that class at a separate meeting held in accordance with Articles 87 to 91 of these Articles of Association.

Article 86 The following circumstances shall be deemed to be a variation or abrogation of the rights of shareholders of a certain class:

- (1) to increase or decrease the number of shares of a particular class, or increase or decrease the number of shares of another class having rights on voting, distribution or other privileges equal or superior to those of the shares of such class;
- (2) to effect an exchange of all or part of shares of such class into shares of other classes, or to effect an exchange or grant a right of exchange of all or part of the shares of other classes into shares of such class;
- (3) to cancel or reduce rights to accrued dividends or cumulative dividends attached to shares of such class;
- (4) to reduce or cancel the rights to a dividend preference or a liquidation preference to distribution of property attached to shares of such class;
- (5) to increase, cancel or reduce the rights to conversion, options, voting, transfer, pre-emptive rights to placement and acquire securities of the Company attached to shares of such class;
- (6) to cancel or reduce rights to receive payment payable by the Company in particular currencies attached to shares of such class;
- (7) to create a new class of shares having rights on voting, distribution or other privileges equal or superior to those of the shares of such class;
- (8) to restrict the transfer or ownership of the shares of such class or increase such restrictions;

- (9) to issue subscription rights or share conversion rights for shares of such class or other classes;
- (10) to increase the rights and privileges of shares of other classes;
- (11) to restructure the Company where the proposed restructuring scheme will result in different classes of shareholders bearing a disproportionate burden of obligations of such restructuring;
- (12) to amend or abrogate the terms stipulated in this chapter.

Article 87

Shareholders of the affected class, whether or not having the right to vote at the shareholders' general meeting, shall nevertheless have the right to vote at class meetings on matters referred to in Clause (2) to (8) and (11) to (12) of the previous article, but interested shareholders shall not be entitled to vote at class meetings of the shareholders.

The interested shareholders mentioned in the preceding paragraph shall have the following meanings:

- (1) in the case of a repurchase of its own shares by the Company by making offers to all shareholders on the same pro rata basis or through public dealing on a stock exchange in accordance with Article 29 of the Articles of Association, "interested shareholders" shall refer to the controlling shareholders as defined in Article 53 of the Articles of Association;
- (2) in the case of a repurchase of its own shares by the Company through an off-market agreement in accordance with Article 29 of the Articles of Association, "interested shareholders" shall refer to the shareholders to which the proposed agreement relates;
- (3) in the case of a restructuring of the Company, "interested shareholder" shall refer to a shareholder within a class who bears liabilities less than the proportionate burden imposed on other shareholders of that class or who has interests different from those held by shareholders of the same class.

Article 88

A resolution of the class meeting of shareholders shall be passed in accordance with Article 87 of the Articles of Association by shareholders present in the meeting representing not less than two-thirds of voting rights.

Article 89            Written notice of a class meeting of shareholders convened by the Company shall be dispatched forty-five (45) days prior to the date of the class meeting of shareholders to all shareholders of such class whose names appear on the register of members, specifying the matters to be considered and the date and place of the meeting. Shareholders who intend to attend the meeting shall send a written reply of their intention to attend to the Company twenty (20) days prior to the date of the meeting.

If the number of voting shares at such meeting held by shareholders who intend to attend such meeting reaches more than one-half of the total number of voting shares at such meeting, the Company may hold such class meeting; if this cannot be attained, the Company shall further notify the shareholders by way of announcement within five (5) days thereof specifying the matters to be considered and the date and place of the meeting. After such announcement has been given, the Company may then hold the class meeting of the shareholders. Such public announcement shall be published in newspaper.

The quorum for any class meeting of the shareholders (other than adjourned meeting) convened for the purpose of altering the rights of such class shares shall be at least one-third of the holders of the issued shares of such class.

Article 90            Notices of the class meeting of the shareholders only need to be sent to those shareholders entitled to vote thereat.

The procedures for holding the class meeting of the shareholders shall be similar to those for holding the shareholders' general meeting as far as possible, and the provisions in the Articles of Association relating to the procedures for a shareholders' general meeting shall apply to the class meeting.

Article 91            Save for holders of shares of other classes, the holders of domestic shares and holders of overseas-listed foreign shares are deemed to be different classes of shareholders.

The special procedures for voting by class shareholders shall not apply in the following circumstances:

- (1) where the Company issues, upon approval by a special resolution at a shareholders' general meeting, domestic shares and overseas-listed foreign shares once every twelve months, either separately or concurrently, and the respective numbers of domestic shares and overseas-listed foreign shares proposed to be issued do not exceed 20% of the respective numbers of the issued domestic shares and overseas-listed foreign shares;



- (2) where the Company's plan to issue domestic shares and overseas-listed foreign shares at the time of incorporation is carried out within fifteen (15) months from the date of approval by the securities regulatory authority under the State Council.

## **CHAPTER 10 BOARD OF DIRECTORS**

Article 92           The Company shall have a Board, which shall comprise eight Directors and external Directors shall represent not less than one half of the members of the Board and there should have at least three (3) Independent Directors.

The Board shall have one Chairman and two Vice Chairmans.

Article 93           Directors shall be elected at shareholders' general meeting. The term of office of the Directors shall be three (3) years. Upon expiry of the current term of office, a Director shall be re-elected and re-appointed.

Written notice of an intention to nominate a candidate for Director and willingness to accept the nomination by the candidate shall be delivered to the Company seven (7) days prior to the date of meeting the shareholders. The period of notification referred to under this Article shall commence from the date on which the notice of the meeting for election of the relevant director is dispatched and end no later than seven (7) days prior to the date of such meeting.

The shareholders' general meeting may by ordinary resolution remove any Director before the expiration of his term of office (but without prejudice to such Director's right to claim damages based on any contract), subject to full compliance with relevant laws and administrative regulations.

The Chairman and Vice Chairman of the Board shall be elected and removed by more than one-half of all Directors. The term of office of the Chairman and Vice Chairman shall be three (3) years, renewable upon re-election.

The Directors shall not be required to hold shares of the Company.

Article 94           The Board shall report to the shareholders' general meeting and carries out the following duties and powers:

- (1) to convene shareholders' general meetings and report its work to the shareholders' general meeting;
- (2) to implement the resolutions of shareholders' general meetings;
- (3) to decide on the Company's business plans and investment plans;

- (4) to formulate the Company's plans on annual financial budgets and final accounts;
- (5) to formulate the Company's profit distribution plans and plans on making up losses;
- (6) to formulate the proposals for increase or decrease of the registered capital of the Company and issue of bonds of the Company;
- (7) to formulate plans for merger, division and dissolution of the Company;
- (8) to determine the establishment of the Company's internal management structure;
- (9) to appoint or remove the president and to appoint or remove the vice president and the chief financial officer of the Company based on the nomination by the president and to appoint or remove the Secretary to the Board and to decide on their remunerations;
- (10) to determine the establishment of the Company's subsidiaries and branch organizations;
- (11) to formulate proposals for amendment to the Articles of Association;
- (12) to formulate the basic management system of the Company;
- (13) to determine other significant matters and administrative matters, save for those matters which are required to be determined by the shareholders' general meeting as specified in the relevant laws, administrative regulations, departmental rules and the Articles of Association, and to sign any agreement of significance;
- (14) to exercise any other powers specified in the relevant laws, administrative regulations, departmental rules and the Articles of Association and conferred by the shareholders' general meetings.

Except for the Board resolutions in respect of the matters specified in subparagraphs (6), (7) and (11) of this Article which shall be passed by not less than two-thirds of the Directors, the Board resolutions in respect of all other matters may be passed by the affirmative vote of a simple majority of the Directors.

Board resolutions in respect of the Company's connected transactions must be endorsed by an Independent Director before becoming effective.

Article 95 In cases where the expected value of fixed assets proposed for disposal by the Board, when aggregated with value of fixed assets disposed within four (4) months before the proposed disposal, exceeds 33% of the fixed assets value set out in the latest balance sheet considered by the shareholders' general meeting, the Board shall not dispose or consent to dispose such fixed assets without prior approval by the shareholders' general meeting.

The term "fixed assets disposal" referred to in this Article represents (among other things) transferring certain interests in assets, but not including provision of guarantees by way of fixed assets.

The validity of transactions regarding fixed assets disposal by the Company shall not be affected due to a breach of the first paragraph of this Article.

Article 96 The Chairman of the Board shall carry out the following duties and powers:

- (1) to preside over shareholders' general meetings and to convene and preside over Board meetings;
- (2) to organize and execute the duties of the Board and to supervise and check over the implementation of resolutions of the Board;
- (3) to sign the securities certificates issued by the Company;
- (4) to exercise other duties and powers conferred by the Board.

If the Chairman is unable to perform his duties, the Vice Chairman designated by the Chairman shall perform the duties of the Chairman.

Article 97 Meetings of the Board shall be held at least four (4) times every year and shall be convened by the Chairman of the Board. All of the Directors shall be notified about the meeting fourteen (14) days beforehand. In case of emergency, a special Board meeting may be held if it is so requested by the Chairman of the Board or at least one-third of the Directors or the president of the Company and the requirements on the time of notification for the meetings as specified under this Article and the manner of notification for the meeting as specified under Article 98 shall not apply.

The meetings of the Board shall be held, in principle, at the Company's domicile.

The Board meeting shall be conducted in Chinese, and whenever necessary, on-site interpreter will be available to provide Chinese-English simultaneous interpretation services.

- Article 98 Notice of Board meetings shall be served by way as follows:
- (1) If the Board has specified the time and place of the regular Board meeting in advance, no service of notice is required.
  - (2) If the Board has not specified the time and place of the Board meeting in advance, the Chairman of the Board shall, at least ten days beforehand, inform the Directors the time and the place of the Board meeting by way of telegraph, telex, fax, courier, registered mail or by specially designated person, unless otherwise specified under Article 97.
  - (3) The notice shall be written in Chinese, if necessary, the English version can be attached and shall include the agenda of the meeting. Any Director may waive the right of receiving the notice of Board meeting.

Article 99 Any important resolution of the Board shall be informed to all Directors within the time frame provided by Article 98. Sufficient information shall be provided and the stipulated procedures shall be abided by. Directors are entitled to demand supplementary documents. When more than a quarter of Directors or more than 2 external Directors think the materials so provided are not sufficient or the argument contained therein is not clear, they may suggest jointly to defer the Board meeting or defer the discussion of such matter, and the Board shall accept such suggestion.

Directors who are present at a meeting and have not raised objection concerning their failing to have received the notice of the meeting before or at the meeting shall be deemed to have been served the notice of meeting.

Any regular or extraordinary meetings of the Board may be held by way of telephone conference or similar communication equipment so long as all Directors participating in the meeting can clearly hear and communicate with each other. All such Directors shall be deemed to be present in person at the meeting.

Article 100 The Board meeting may not be held unless not less than half of the Directors (including any Director authorized to attend pursuant to the provisions of these Articles of Association) are present. Each Director shall have one vote. Resolutions of the Board shall be passed by more than half of all Directors. In the case of equality of votes, the Chairman of the Board shall be entitled to have a casting vote.

Article 101 Directors shall attend Board meetings in person. Where a Director is unable to attend a meeting for any reason, he may by a written power of attorney appoint another Director to attend the meeting on his behalf. The power of attorney shall specify the scope of authorization.

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

All the expenses incurred by the Directors for attending the Board meeting shall be borne by the Company, including the traffic expense from the place where the Director is located to the place where the meeting is convened, as well as the board and lodging expenses during the term of the meeting. The miscellaneous expenses such as the rental of meeting room and the local traffic expenses etc shall be borne by the Company.

Article 102           The Board may adopt resolution in writing instead of holding a Board meeting, but the draft of such resolution must be sent to each of the Directors by one of these means: by hand, by post, by cable or by facsimile. If the relevant written resolution has been distributed to all Directors, and the number of Directors having signed on the draft indicating his consent reached the necessary quorum to pass the resolution, such resolution shall become the resolution passed by the Board upon the same having been sent to the Secretary to the Board in any of the aforesaid manners and no Board meeting shall be further required to be held.

Article 103           The Board of Directors shall record of all decisions made on the matters discussed at Board meetings or Board meetings that are not convened in Chinese and take it as minutes. Opinions of the Independent Directors shall be clearly stated in the resolutions of the Board. The minutes of each Board meeting shall be given to all participating Directors as soon as practicable. Directors who wish to amend or supplement the minutes shall submit a written report setting out his comments to the Chairman of the Board within one week after the receipt of the minutes circulated. Once the Board minutes have been finalised, the attending Directors and the officer taking the minutes shall sign on the minutes of the Board. The minutes of the Board shall be kept at the Company's domicile in the PRC and a complete copy of which shall be delivered to each of the Directors as soon as possible.

Directors shall be liable for the resolutions of the Board. If a resolution of the Board violates the laws, administrative regulations or the Articles of Association and the Company suffers serious losses as a result thereof, the Directors who participated in the passing of such resolution are liable to compensate the Company.

Directors shall carry out their responsibilities in an honest and conscientious manner. Directors shall attend Board meetings in a conscientious and responsible fashion, and express clear-cut opinions on the resolutions proposed at such meetings. In case a Director is unable to attend the Board meeting in person, he shall not pass his voting rights to others but shall appoint by writing another Director as proxy to attend the meeting on his behalf, and he shall accept legal responsibility independently. Any written resolution that is not made in accordance with the legal procedures and signed by the Directors, even when each Director has expressed his opinion by different means, shall have no legal effect and shall not be considered as a resolution of the Board meeting. The Directors who have voted for a resolution passed at a Board meeting that is however made in violation of the law, administrative rules and regulations or the Articles of Association shall be directly liable. Any Director who is proven to have voted against such a resolution at the meeting and whose opposition at the time of the vote has been recorded in the minutes of the Board meeting may be exempt from liability. Any Director who has abstained from voting, or who has been absent at the meeting and has not authorized another person to be present on his behalf at the meeting, shall not be exempt from liability; any Director who has clearly expressed his opposition during the discussion but has not voted against the relevant resolution shall not be exempt from liability either. The Board of Directors shall make complete minutes of the meeting concerning the matters considered and resolutions made. The Secretary to the Board shall be responsible for organizing the records and sorting out the resolutions seriously and shall affix his signature on the resolutions to take the responsibility of accurate recording.

## **CHAPTER 11 SECRETARY TO THE BOARD**

Article 104 The Company shall have a Secretary to the Board, who is a senior management member of the Company.

Article 105 The Secretary to the Board of the Company shall be a natural person with the requisite professional knowledge and experience, and to be appointed and removed by the Board.

Major responsibilities of the Secretary to the Board include:

- (1) to assist Directors to deal with the daily matters of the Board, continuously provide, remind and ensure the Directors to be well informed of the regulations, policies and requirements of both domestic and overseas regulatory organizations concerning corporate governance, and assist Directors and the president to practically implement the domestic and foreign laws, regulations, the Articles of Association and other regulations when performing their duties and powers;

- (2) to be responsible for the organization and preparation of the relevant documents for the Board meeting and shareholders' general meeting, prepare well the minutes of meetings, ensure the decision of meeting is in conformity with the legal procedures, and to keep abreast of the execution of the resolutions passed at the Board meetings;
- (3) to be responsible for the organization and coordination of information disclosure, the coordination of the relationship with the investors, and the enhancement of the transparency of the Company;
- (4) to participate in and organize the financing in capital market;
- (5) to deal with the relationships with the intermediary organs, regulatory authorities and the media;

The main duties of the Secretary to the Board include:

- (1) organizing and arranging for the meetings of the Board and shareholders' general meetings, preparing meeting materials, handling relevant meeting affairs, responsible for keeping minutes of the meetings and ensuring their accuracy and completeness, keeping meeting documents and minutes and taking initiative to keep abreast of the implementation of relevant resolutions. Any important issues occurring during the implementation shall be reported and relevant proposals shall be put forward to the Board;
- (2) ensuring the material matters decided by the Board of the Company to be carried out strictly in accordance with the procedures as stipulated; at the request of the Board, participating in the organization of consultation on and analysis of the matters to be decided by the Board and offering relevant opinions and suggestions; handling the daily affairs of the Board and its committees as authorized;
- (3) as the contact person of the Company with the securities regulatory authorities, responsible for organizing the preparation for prompt submission of the documents required by the regulatory authorities, accepting and organizing the implementation of any assignment from the regulatory authorities;
- (4) responsible for co-ordinating and organizing the Company's disclosure of information, establishing and improving the information disclosure system, participating in all of the Company's meetings involving the disclosure of information, and keeping informed of the Company's material operation decisions and related information in a timely manner;

- (5) responsible for keeping the Company's price-sensitive information confidential and working out effective and practical confidentiality systems and measures; where there is any disclosure of the Company's price-sensitive information due to any reason, necessary remedial measures shall be taken, timely explanation and clarification shall be made, and relevant reports shall be submitted to the regulatory authorities in domestic and overseas jurisdictions where the shares of the Company are listed;
- (6) responsible for co-ordinating and organizing marketing activities, co-ordinating reception of visitors, handling the investor relations, keeping in touch with investors, intermediaries and news media; co-ordinating replies to inquiries from the public, and ensuring investors to obtain the information disclosed by the Company in a timely manner; organizing the preparation of the Company's domestic and overseas marketing and promotion activities, preparing summary reports on marketing and important visits, and organizing work in relation to the submission of the reports to the securities regulatory authorities under the State Council;
- (7) responsible for handling and keeping the materials in relation to register of members, Directors' register, records of the Company's shares held by major shareholders and Directors and the name list of the beneficial owners of the bonds issued by the Company;
- (8) assisting Directors and the president in duly implementing the domestic and foreign laws, regulations, the Articles of Association and other relevant provisions. Upon becoming aware that the Company has passed or may pass resolutions which may breach the relevant regulations, the Secretary to the Board is obliged to immediately remind the Board, and is entitled to report such facts to the securities regulatory authorities under the State Council and other regulatory authorities;
- (9) co-ordinating the provision of relevant information necessary for the Company's Supervisory Committee and other auditing authorities to discharge their duties; assisting in carrying out investigation on the performance of the chief financial officer, Directors and the president of the Company of their fiduciary duties;
- (10) exercising other functions and powers as conferred by the Board, as well as other functions and powers as required by the listing rules of the stock exchanges on which the Company's shares are listed.

Article 106

Directors, the president, the vice-presidents or the chief financial officer may concurrently hold the post of the Secretary to the Board. The accountant(s) of the certified public accountants' firm appointed by the Company shall not concurrently hold the post of the Secretary to the Board.



Where the office of the Secretary to the Board is held concurrently by a Director, and an act is required to be done by a Director and the Secretary to the Board separately, the person who holds the office of Director and Secretary to the Board may not perform the act in dual capacity.

## **CHAPTER 12 PRESIDENT**

Article 107 The Company shall have one president, who shall be nominated by the Chairman and appointed and removed by the Board.

The Company shall have several vice-presidents, and one chief financial officer who shall assist the president in work. The vice-presidents and the chief financial officer shall be nominated by the president and appointed or removed by the Board of Directors.

Article 108 The president of the Company shall be accountable to the Board and carry out the following duties and powers:

- (1) to lead the Company's production, operation and management and organize resources to carry out the Board's resolutions;
- (2) to organize the implementation of the Company's annual business plan and investment plan;
- (3) to draft plans for the establishment of the Company's internal management structure;
- (4) to draft plans for the establishment of branch companies of the Company;
- (5) to draft the Company's basic management system;
- (6) to formulate the basic rules and regulations of the Company;
- (7) to propose the appointment or dismissal of the Company's vice-president and chief financial officer;
- (8) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;
- (9) to exercise other duties and powers conferred by the Articles of Association and the Board.

Article 109 The president who is not a Director shall have the right to attend board meetings and to receive notices of meetings and other relevant documents but does not have any voting rights at board meetings.

- Article 110 In discharging their duties, the president, vice-presidents and chief financial officer shall not alter the resolutions of the shareholders' general meeting and the Board or act beyond his scope of authority.
- Article 111 The president, vice-presidents and chief financial officer in performing their functions, shall act honestly and diligently and in accordance with the laws, administrative regulations and the Articles of Association.

**CHAPTER 13 SUPERVISORY COMMITTEE**

- Article 112 The Company shall have a Supervisory Committee.
- Article 113 The Supervisory Committee shall be composed of 3 supervisors. The Supervisory Committee shall consist of external supervisors which account for more than one half of the total number of supervisors and at least two independent supervisors  
  
The Supervisory Committee shall have one (1) chairman. Each supervisor shall serve for a term of three (3) years, which term is renewable upon re-election and re-appointment.  
  
The appointment and dismissal of the chairman of the Supervisory Committee shall be passed by not less than two-thirds (inclusive) of its members.

- Article 114 The Supervisory Committee consists of two representatives of shareholders and one representative of employees. Representatives of shareholders shall be elected and dismissed by the shareholders' general meeting while representatives of employees shall be democratically elected and dismissed by the Company's staff.

- Article 115 The Directors, president, vice-presidents, chief financial officer and secretary to the Board shall not hold the position of supervisors.

- Article 116 Meetings of the Supervisory Committee shall be held at least twice every year and convened by the Chairman of the Supervisory Committee.

- Article 117 The Supervisory Committee shall be responsibility for the shareholders' general meeting and exercise the following powers in accordance with the laws:

- (1) to examine the Company's financial affairs;
- (2) to supervise Directors, president, vice presidents, chief financial officer and secretary to the Board in performing their duties to the Company weather they violate any laws, administrative regulations, the Articles of Association or resolutions of shareholders' general meetings;

- (3) to demand rectification from a Director, president, vice presidents, chief financial officer and secretary to the Board when the acts of such persons are harmful to the Company's interest;
- (4) to examine the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the Board to the shareholders' general meetings and, should any queries arise, to engage, in the name of the Company, certified public accountants and practicing auditors to conduct a re-examination;
- (5) to propose the convening of a shareholders' extraordinary general meeting;
- (6) to deal with or take legal actions against the Directors on behalf of the Company;
- (7) to exercise other powers specified under the laws, administrative regulations, binding departmental rules and the Articles of Association.

The supervisors shall have the right to attend Board meetings.

Article 118 Resolution at a Supervisory Committee Meeting shall be passed by two-thirds (inclusive) of the supervisors by poll.

Article 119 All reasonable expenses incurred in respect of the employment of professionals such as lawyers, certified public accountants or practicing auditors as are required by the Supervisory Committee in discharging its duties shall be borne by the Company.

Article 120 A supervisor shall carry out his duties honestly and faithfully in accordance with the laws, administrative regulations and the Articles of Association.

**CHAPTER 14 QUALIFICATIONS AND DUTIES  
OF THE DIRECTORS, SUPERVISORS, PRESIDENT, AND OTHER SENIOR  
MANAGEMENT MEMBERS OF THE COMPANY**

Article 121 A person may not serve as a Director, supervisor, president, or any other senior management member of the Company if he is under any of the following circumstances:

- (1) without legal or with restricted legal capacity;

- (2) has committed an offence of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offence; or has been deprived of his political rights, in each case where less than five (5) years have elapsed since the date of the completion of implementation of such punishment or deprivation;
- (3) is a former director, factory manager or president of a company or enterprise which has entered into insolvent liquidation due to inefficient management and poor business performance and is personally liable for the insolvency of such company or enterprise, where less than three (3) years have elapsed since the date of the completion of the insolvency and liquidation of the company or enterprise;
- (4) is a former legal representative of a company or enterprise which had its business licence revoked due to a violation of the law and who incurred personal liability, where less than three (3) years has elapsed since the date of the revocation of the business licence;
- (5) has a relatively large amount of debts due and outstanding;
- (6) is under criminal investigation or prosecution by a judicial organization for violation of the criminal law where the said investigation or prosecution is not yet concluded;
- (7) is not eligible for enterprise leadership according to the laws and administrative regulations;
- (8) a non-natural person;
- (9) convicted of the contravention of provisions of relevant securities regulations by a relevant competent authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five (5) years has elapsed since the date of the conviction.

Article 122

The validity of an act of a Director, president, and any other senior management member on behalf of the Company is not, vis-a-vis a bona fide third party, affected by any irregularity in his office, election or any defect in his qualification.

Article 123 In addition to obligations imposed by laws, administrative regulations or required by the stock exchanges on which the Company's shares are listed, each of the Company's Directors, supervisors, president, and other senior management members owes a duty to each shareholder, in the exercise of the functions and powers of the Company entrusted to him:

- (1) not to cause the Company to exceed the scope of the business stipulated in its business licence;
- (2) to act honestly in the best interest of the Company;
- (3) not to expropriate in any guise the Company's property, including (without limitation) expropriation of opportunities advantageous to the Company;
- (4) not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting, save as pursuant to a restructuring of the Company submitted to shareholders for approval in accordance with the Articles of Association.

Article 124 Each of the Company's Directors, supervisors, president, and other senior management members owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Article 125 Each of the Company's Directors, supervisors, president and other senior management members shall exercise his powers or carry out his duties in accordance with the principle of fiduciary and shall not put himself in a position where his duty and his interest may conflict. This principle includes (without limitation) discharging the following obligations:

- (1) to act honestly in the best interests of the Company;
- (2) to exercise powers within the scope of his powers and not to exceed those powers;
- (3) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by the laws, administrative regulations or with the informed consent of shareholders given in a general meeting, not to delegate the exercise of his discretion;
- (4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

- (5) except in accordance with the Articles of Association or with the informed consent of shareholders given in general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (6) without the informed consent of shareholders given in general meeting, not to use the Company's property for his own benefit by any means;
- (7) not to exploit his position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;
- (8) without the informed consent of shareholders given in general meeting, not to accept commissions in connection with the Company's transactions;
- (9) to abide by the Articles of Association, faithfully execute his duties and protect the Company's interests, and not to exploit his position and power in the Company to advance his own private interests;
- (10) not to compete with the Company in any form unless with the consent of shareholders given in general meeting;
- (11) not to misappropriate the Company's funds or to lend the Company's funds to others, not to open accounts in his own name or other names for the deposit of the Company's assets and not to provide guarantee for the shareholder(s) of the Company or other individual(s) with the Company's assets;
- (12) unless otherwise permitted by informed shareholders in general meeting, to keep in confidence information relating to the Company acquired by him in the course of and during his tenure and not to use such information in purposes other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if:
  1. disclosure is made as required by law;
  2. the interests of the public require disclosure;
  3. the interests of the relevant Director, supervisor, president, and other senior management member require disclosure.

- Article 126 Each Director, supervisor, president, and other senior management member of the Company shall not cause the following persons or institutions (“associates”) to do what he is prohibited from doing:
- (1) the spouse or minor child of that Director, supervisor, president, and other senior management member;
  - (2) a person acting in the capacity of trustee of that Director, supervisor, president, and other senior management member or any person referred to in paragraph (1) of this Article;
  - (3) a person acting in the capacity of partner of that Director, supervisor, president, and other senior management member or any person referred to in paragraphs (1) and (2) of this Article;
  - (4) a company in which that Director, supervisor, president, and other senior management member, alone or jointly with one or more persons referred to in paragraphs (1), (2) and (3) above or other Directors, supervisors, president, and other senior management members of the Company have a de facto controlling interest; and
  - (5) the Directors, supervisors, president, and other senior management members of the controlled company referred to in paragraph (4) of this Article.
- Article 127 The fiduciary duties of the Directors, supervisors, president, and other senior management members of the Company do not necessarily cease with the termination of their tenure. The duty of confidence in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of tenure and the occurrence of the event concerned and the circumstances under which the relationships between them and the Company are terminated.
- Article 128 Except for circumstances prescribed in Article 52 of the Articles of Association, a Director, supervisor, president, and other senior management member of the Company may be relieved of liability for specific breaches of his duty by the informed consent of shareholders given at a general meeting.
- Article 129 Where a Director, supervisor, president, or other senior management member of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (other than his contract of service with the Company), he shall declare the nature and extent of his interests to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal therefor is otherwise subject to the approval of the Board.

A Director shall abstain from voting on any resolution of the Board meetings, which is subject to the approval of the Board, approving any contract or arrangement or any other proposal in which he or any of his associates (as defined in the Listing Rules) has a material interest nor shall he be counted in the quorum present at the relevant Board meeting.

Unless the interested Director, supervisor, president or other senior management member discloses his interests in accordance with the first paragraph of this Article and the contract, transaction or arrangement is approved by the Board at a meeting in which the interested Director, supervisor, president or other senior management member is not counted in the quorum and refrains from voting, a contract, transaction or arrangement in which that Director, supervisor, president or other senior management member is materially interested is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, president or other senior management member.

Article 130 Where a Director, supervisor, president or other senior management member of the Company gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be made by the Company, such notice shall be deemed for the purposes of the preceding paragraph of this Article to be a sufficient declaration of his interests, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of the Company.

Article 131 The Company shall not in any manner pay taxes for or on behalf of its Directors, supervisors, president, and other senior management members.

Article 132 The Company shall not directly or indirectly make a loan to, or provide any guarantee in connection with, the making of a loan to a Director, supervisor, president, and other senior management member of the Company or of the Company's parent company or any of their respective associates.

However, the following transactions are not subject to such prohibition:

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



- (2) the provision by the Company of a loan or a guarantee in connection with the making of a loan or any other funds to any of its Directors, supervisors, president, and other senior management members to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of a service contract approved by the shareholders in general meeting;
- (3) the Company may make a loan or provide a guarantee in connection with the making of a loan to any of the relevant Directors, supervisors, president, and other senior management members or their respective associates in the ordinary course of its business on normal commercial terms, provided that the ordinary course of business of the Company includes the lending of money or the giving of guarantees.

Article 133 A loan made by the Company in breach of the above provisions shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

Article 134 A loan guarantee provided by the Company in breach of Clause 1 of Article 132 shall be unenforceable against the Company, provided that:

- (1) a loan was advanced to an associate of any of the Directors, supervisors, president, and other senior management members of the Company or of the Company's parent company where the lender did not know the relevant circumstances;
- (2) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

Article 135 For the purposes of the foregoing provisions of this Chapter, a guarantee includes an undertaking or property provided to secure the performance of obligations by the obligor.

Article 136 In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, supervisor, president or other senior management members of the Company is in breach of his duties to the Company, the Company has the right to:

- (1) claim damages from the Director, supervisor, president, and other senior management members in compensation for losses sustained by the Company as a result of such breach;

- (2) rescind any contract or transaction entered into by the Company with the Director, supervisor, president, and other senior management members or with a third party (where such third party knows or should know that there is such a breach of duties by such Director, supervisor, president, and other senior management members);
- (3) demand the Director, supervisor, president, and other senior management members to surrender the profits made by him in breach of his duties;
- (4) recover any monies received by the Director, supervisor, president, and other senior management members which should have been otherwise received by the Company, including (without limitation) commissions;
- (5) demand payment of the interest earned or which may have been earned by the Director, supervisor, president, and other senior management members on the monies that should have been paid to the Company.

Article 137

The Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with a Director or supervisor wherein his emoluments are stipulated, including;

- (1) emoluments in respect of his service as Director, supervisor or senior management member of the Company;
- (2) emoluments in respect of his service as Director, supervisor or senior management member of any subsidiary of the Company;
- (3) emoluments in respect of the provision of other services in connection with the management of the affairs of the Company or any of its subsidiaries;
- (4) compensation for loss of office, or as consideration for or in connection with his retirement from office.

Except under a contract entered into in accordance with the foregoing, no proceedings may be brought by a Director or supervisor against the Company for any benefits in respect of the matters mentioned in this Article.

Article 138

The contract for emoluments entered into between the Company and its Directors or supervisors should provide that in the event of a takeover of the Company, the Company's Directors and supervisors shall, subject to the prior approval of the shareholders in general meeting, have the right to receive compensation or other payment for loss of office or retirement. A takeover of the Company as referred to above means:

- (1) a takeover offer made by any person to all shareholders; or

- (2) an offer made by any person with a view to the offeror becoming a “controlling shareholder” within the meaning of Article 53 of the Articles of Association.

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

## **CHAPTER 15 FINANCIAL AND ACCOUNTING SYSTEM AND PROFIT DISTRIBUTION**

Article 139 The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the finance regulatory department of the State Council.

Article 140 The fiscal year of the Company shall coincide with the calendar year, i.e. from January 1 to December 31 on the Gregorian calendar.

The Company shall adopt Renminbi as its denominated currency for booking and accounting purposes, the account books shall be recorded in Chinese.

At the end of each fiscal year, the Company shall prepare a financial report which shall be examined and verified in a manner prescribed by law.

Article 141 The Board shall place before the shareholders at every annual general meeting such financial reports as are required by any laws, administrative regulations or directives promulgated by competent regional and central governmental authorities to be prepared by the Company. Such reports shall be audited by the accountants’ firm engaged by the Company.

Article 142 The Company’s financial reports shall be made available for shareholders’ inspection at the Company twenty (20) days before the date of every annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports referred to in this Chapter.

The Company shall at least deliver or send to each shareholder of overseas-listed foreign shares by prepaid mail the abovementioned reports together with the report of directors not later than twenty-one (21) days before the date of every annual general meeting. The address of the recipient shall be the address registered in the share register. Subject to compliance with the laws and regulations of the places of incorporation and listing of the Company and the Listing Rules, the aforesaid reports may be sent or supplied in the manner provided under Article 180 in lieu of delivery in person or sending or supplying by mail as mentioned aforesaid.

Article 143 The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the place overseas where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, explanations shall be made in the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

Article 144 The interim results or financial information published or disclosed by the Company shall be prepared in accordance with PRC accounting standards and regulations as well as the international Accounting standards or such accounting standards in the place of listing overseas.

Article 145 The Company shall announce twice its financial results for each fiscal year. Within three (3) months following the end of the first six months of the fiscal year, the Company shall announce and send its interim financial report to shareholders, and within four (4) months following the fiscal year end the annual financial report for the year will be announced and sent to the shareholders.

Article 146 The Company shall not keep accounts other than those provided by law.

Article 147 When distributing each year's after-tax profits, the Company shall set aside 10 per cent of its after-tax profits for the Company's statutory reserve fund and 5-10 per cent of its after-tax profits for the Company's statutory public welfare fund. When the aggregate balance in the statutory reserve fund has reached 50 per cent or more of the Company's registered capital, the Company needs not make any further allocations to that fund.

Where the Company's statutory reserve fund is not enough to make up losses of the Company for the preceding year, the current year's profits shall be applied firstly to make up the losses before being allocated to the statutory reserve fund and statutory public welfare fund in accordance with the preceding paragraph.

Subject to a resolution of the shareholders' general meeting, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund.

The remaining profit after appropriation of reserve funds and statutory public welfare fund shall be distributed to shareholders in proportion to their shareholdings.

Article 148 The Company shall not distribute dividends or proceed with other distributions in the form of bonus dividends before offsetting against losses and providing for reserve funds and public welfare fund.

Article 149 Capital reserve fund includes the following items:

- (1) premium received when shares are issued at a premium to their par value;
- (2) any other income required to be included in the capital reserve fund by the competent finance department of the State Council.

Article 150 The Company may, upon a resolution adopted in the shareholders' general meeting, convert its reserve funds into capital and issue new shares to existing shareholders in proportion to their respective shareholdings or increase the par value of each share, provided, however, that when the statutory reserve fund is converted into capital, the balance of the statutory reserve fund shall not fall below 25% of the Company's registered capital.

Article 151 The Company may distribute dividends in the form of:

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

Article 152 The Company shall calculate, declare and pay dividends and other amounts which are payable to holders of domestic shares in Renminbi. The Company shall calculate and declare dividends and other payments which are payable to holders of overseas-listed foreign shares in Renminbi, and shall pay such amounts in Hong Kong Dollars. As for the foreign currency needed by the Company for payment of cash dividends and other funds which are payable to the holders of the overseas-listed foreign shares, it shall be handled in accordance with any related state regulations on foreign exchange control.

Article 153 Unless otherwise provided by the relevant laws and administrative regulations, as regards dividends and other amounts payable in Hong Kong dollars, the Company shall pay from its foreign currency account or convert the amount in specific banks processing foreign exchange pursuant to the profit distribution resolution of the Board.

In the event of allocating the dividends to shareholders of the Company, the taxes payable on the dividend incomes of the shareholders shall be withdrawn in accordance with the requirements of Taxation Law of China and the sum for allocation.

Article 154 The Board could decide to distribute interim or special dividend provided that it is in compliance with item (14) of Clause 1 of Article 94 herein.

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the shareholder to participate in respect thereof in a dividend subsequently declared.

Article 155 The Company shall appoint receiving agents on behalf of the holders of overseas listed foreign shares to receive on behalf of such shareholders dividends declared and all other monies owing by the Company in respect of such shares.

The receiving agents appointed by the Company shall satisfy the relevant requirements of the laws of the place and relevant regulations of the stock exchange where the Company's shares are listed.

The receiving agents appointed on behalf of holders of overseas-listed foreign shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Where power is taken to forfeit unclaimed dividends, that power shall not be exercised until the expiry of the applicable effective period.

Where power is taken to terminate the dispatch of dividend warrants by way of mail, if such warrants have been left uncashed, such power will not be exercised until such warrants have been so left uncashed for two consecutive occasions. Nevertheless, such power may be exercised after the first occasion on which the dividend warrant is returned undelivered.

Where power is taken to sell the shares of a shareholder who is untraceable it will not be exercised unless: (a) during a period of 12 years at least three (3) dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and (b) on expiry of the 12 years the Company gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the Hong Kong Stock Exchange.

## **CHAPTER 16 APPOINTMENT OF ACCOUNTANTS' FIRM**

Article 156 The Company shall appoint an independent firm of certified public accountants which is qualified under the relevant regulations of the State to audit the Company's annual financial statements and review the Company's other financial reports.

The first certified public accountants' firm of the Company may be appointed by the inaugural meeting of the Company before the first annual general meeting of shareholders and the certified public accountants' firm so appointed shall hold office until the conclusion of the first annual general meeting.

If the inaugural meeting fails to exercise its aforesaid powers, those powers shall be exercised by the Board.

Article 157 The certified public accountants' firm appointed by the Company shall hold office from the conclusion of the annual general meeting of shareholders at which the appointment is made until the conclusion of the next annual general meeting of shareholders.

Article 158 The certified public accountants' firm appointed by the Company shall have the following rights:

- (1) the right to inspect at any time the books, records and vouchers of the Company, and to require the Directors, president, and other senior management members of the Company to provide any relevant information and explanation thereof;
- (2) the right to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary for the performance of duties of such accountants' firm;
- (3) the right to attend shareholders' general meetings and to receive all notices of, and other communications relating to, any shareholders' general meeting which any shareholder is entitled to receive, and to be heard at any shareholders' general meeting in relation to matters concerning its role as the accountants' firm of the Company.

Article 159 If there is a vacancy in the position of the accountants' firm, the Board may appoint an accountants' firm to fill such vacancy before the convening of the shareholders' general meeting. Any other accountants' firm which has been appointed by the Company may continue to act during the period when there is such vacancy.

Article 160 The shareholders in general meeting may, by ordinary resolution, remove a certified public accountants' firm before the expiration of its office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

Article 161 The remuneration of the accountants' firm or the manner in which such firm is to be remunerated shall be determined by the shareholders in the general meeting. The remuneration of the accountants' firm appointed by the Board which is to fill the vacancy shall be determined by the Board.

Article 162 The Company's appointment of, removal of and non-reappointment of a certified public accountants' firm shall be resolved by shareholders in general meeting. The resolution of the shareholders' general meeting shall be filed with the securities regulating authority under the State Council.

Where it is proposed that any resolution be passed at the shareholders' general meeting concerning the appointment of a certified public accountants' firm, which is not an incumbent firm, to replace an existing accountants' firm or to fill a casual vacancy in the office of the certified public accountants' firm, or to reappoint a retiring certified public accountants' firm which was appointed by the Board to fill a casual vacancy, or to remove the certified public accountants' firm before the expiration of its term of office, the following provisions shall apply:

- (1) A copy of the proposal about appointment or removal shall be sent to the firm proposed to be appointed or proposing to leave its post or the firm which has left its post in the relevant fiscal year before notice of meeting is given to the shareholders. Leaving includes leaving by removal, resignation and retirement.
- (2) If the leaving firm makes representations in writing and requests the Company to notify the shareholders of such representations, the Company shall (unless the representations are received too late):
  - 1. in any notice given to shareholders about a resolution to be made, state the representations that has been made by the accountants' firm which is about to leave; and
  - 2. attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in the Articles of Association.
- (3) If the firm's representations are not sent in accordance with paragraph (2) above, the relevant firm may require that the representations be read out at the shareholders' general meeting and may lodge further complaints.
- (4) A certified public accountants' firm which is leaving its post shall be entitled to attend:
  - 1. the shareholders' general meeting relating to the expiry of its term of office;



2. any shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal; and
3. any shareholders' general meeting convened on its resignation;

and to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former certified public accountants' firm of the Company.

#### Article 163

Prior to the removal or the non-renewal of the appointment of a certified public accountants' firm, notice of such removal or non-renewal shall be given to the certified public accountants' firm concerned and such firm shall be entitled to make representation at the shareholders' general meeting. Where the certified public accountants' firm resigns from its post, it shall make clear to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

Any certified public accountants' firm may resign from its office by depositing at the Company's premise a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include any of the following:

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

Where a notice is deposited under the preceding paragraph, the Company shall within fourteen (14) days send a copy of the notice to the competent authority. If the notice contains a statement referred to in subparagraph (2) above, a copy of such statement shall be placed at the Company's registered office for shareholders' inspection. The Company shall also send a copy of such statement to every holder of overseas-listed foreign shares and each shareholder who are entitled to the Company's financial report by prepaid post, and it shall be sent to the addresses recorded in the register of members.

Where the notice of resignation of a certified public accountants' firm contains a statement of any matters of which an account should be given, the certified public accountants' firm may require the Board to convene a shareholders' extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

Subject to compliance with the laws and regulations of the places of incorporation and listing of the Company and the Listing Rules, a copy of the notice of resignation of a certified public accountants' firm may be sent or supplied in the manner provided under Article 180 in lieu of sending or supplying by mail as aforesaid.

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

Article 164 In the event of a merger or division of the Company, a plan shall be proposed by the Board of the Company and shall be approved in accordance with the procedures stipulated in the Articles of Association and the relevant examining and approving formalities shall be processed as required by law. Shareholders who oppose the plan of merger or division of the Company shall have the right to request that the Company or the shareholders who consent to such plan purchase their shares at a fair price.

A special document of the Company's resolution on the merger or division should be prepared for inspection by the shareholders. The aforesaid document should also be dispatched to the holders of overseas-listed foreign shares by mail. Subject to compliance with the laws and regulations of the places of incorporation and listing of the Company and the Listing Rules, the aforesaid document may be sent or supplied in the manner provided under Article 180 in lieu of sending or supplying by mail as aforesaid.

Article 165 The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

In the event of a merger, the parties to the merger shall enter into a merger agreement and prepare balance sheets and inventories of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's resolution on merger and shall make three (3) newspaper announcements at least within thirty (30) days of the date of the Company's resolution on merger.

After the merger, claims and liabilities of parties to the merger shall be taken over by the continuing company or the newly established company.

Article 166 When the Company is divided, its assets shall be split up accordingly.

In the event of a division of the Company, all the parties involved shall execute a division agreement and prepare balance sheets and inventories of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's resolution on division and shall make three (3) newspaper announcements at least within thirty (30) days of the date of the Company's resolution on division.

The obligation with respect to debts incurred by the Company before its division shall be borne by the companies after the division in accordance with the agreed terms.

Article 167 When the merger or division of the Company involves changes in registered particulars, such changes shall be registered with the company registration authority in accordance with the law. Upon dissolution, the Company shall cancel its registration in accordance with the law. When a new company is established, its establishment shall be registered in accordance with the law.

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

Article 168 The Company shall be dissolved and liquidated upon the occurrence of any of the followings:

- (1) a resolution regarding the dissolution is passed by shareholders at a general meeting;
- (2) dissolution is necessary due to a merger or division of the Company;
- (3) the Company is legally declared insolvent due to its failure to repay debts as they become due;
- (4) the Company is ordered to close down because of violation of laws and administrative regulations.

Article 169 Where the Company is dissolved under subparagraph (1) of the preceding paragraph, a liquidation committee shall be set up within fifteen (15) days thereafter, and the composition of the liquidation committee of the Company shall be determined by an ordinary resolution of shareholders in a general meeting. Where no liquidation committee is established within the scheduled time, the creditor may apply to the People's Court to organize the relevant personnel to establish a liquidation committee to proceed with the liquidation.

Where the Company is dissolved under subparagraph (3) of the preceding Article, the People's Court shall in accordance with the provisions of relevant laws organize the shareholders, relevant organizations and relevant professionals to establish a liquidation committee to proceed with the liquidation.

Where the Company is dissolved under subparagraph (4) of the preceding Article, the relevant competent authority shall organize the shareholders, relevant organizations and professionals to establish a liquidation committee to proceed with the liquidation.

Article 170       Where the Board proposes to liquidate the Company for any reason other than the Company's declaration of its own insolvency, the Board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay its debts in full within twelve (12) months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders in a general meeting in relation to the liquidation of the Company, all duties and powers of the Board shall cease.

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

Article 171       The liquidation committee shall, within ten (10) days of its establishment, send notices to creditors and shall, within sixty (60) days of its establishment, publish a public announcement at least three (3) times in a newspaper. The liquidation committee shall register the creditors' rights.

Article 172       During the liquidation period, the liquidation committee shall exercise the following functions and duties:

- (1) to ascertain the Company's assets and separately prepare a balance sheet and an inventory of assets;
- (2) to notify creditors by sending notice or by making announcement;
- (3) to deal with and settle the Company's outstanding business deals in relation to the liquidation;
- (4) to settle outstanding taxes;
- (5) to ascertain all claims and debts;
- (6) to dispose of the remaining assets of the Company after the repayment of debts;
- (7) to represent the Company in any civil proceedings.

Article 173

After it has ascertained the Company's assets and prepared the balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan and present it to the shareholders' general meeting or to the relevant competent authority for confirmation.

After the initial payment of the settlement expense, the assets of the Company shall be liquidated in the following order:

- (1) salary and labor insurance expenses of the staff members of the Company;
- (2) outstanding taxes;
- (3) bank loans, debentures and debts to other companies.

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

- (1) In case there are preferred shares, the allocation shall be first given to the holders of the preferred shares in accordance with the face value of the preferred shares; if it is insufficient to repay the preferred shares, the allocation shall be carried out in accordance with the proportions of the preferred shares held by the holders respectively;
- (2) For ordinary shareholders, allocation shall be carried out in accordance with proportions of shares held by such holders.

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

Article 174

In the event of the Company's liquidation owing to dissolution, if the liquidation committee, after ascertaining the Company's assets and preparing a balance sheet and an inventory of assets, discovers that the Company's assets are insufficient to repay its debts, it shall immediately apply to the court for a declaration of bankruptcy.

After the Company is declared bankrupt by a ruling of the People's Court, the liquidation committee shall transfer the liquidation matters to the People's Court.

Article 175 Following the completion of liquidation, the liquidation committee shall present a report on liquidation and prepare a statement of the receipts and payments and the financial accounts for the period of the liquidation which shall be audited by PRC certified public accountants and then submitted to the shareholders' general meeting or relevant competent authorities for confirmation.

The liquidation committee shall within 30 days after the date of the shareholders' general meeting or the affirmation from the concerned competent authorities, submit the aforementioned documents to corporation registration authorities for cancellation of the Company's registration and announce that the Company ceases to exist.

**CHAPTER 19 PROCEDURES FOR AMENDMENT  
TO THE ARTICLES OF ASSOCIATION**

Article 176 The Company may, pursuant to the requirements of the laws, administrative regulations and the Articles of Association, amend these Articles of Association.

Article 177 Any amendment to the Articles of Association shall be made in the following procedures:

- (1) The Board shall, in accordance with the Articles of Association, pass a resolution and draw up a proposal for such amendments;
- (2) The foregoing proposal shall be notified to shareholders, and a shareholders' general meeting shall be convened to vote on the amendments;
- (3) The amendments submitted to the shareholders' general meeting for approval shall be approved by way of special resolution.

Article 178 The amendment of these Articles of Association which involves the contents of "Mandatory Provisions" will take effect after the approval by the examination and approval authority of the Company authorized by the State Council.

Article 179 The amendment involving the registration of the Company shall be made in line with the relevant laws.

**CHAPTER 20 NOTICE**

Article 180 Unless otherwise stated in this Articles of Association, the corporate communication shall be delivered by specially designated personnel or with prepaid postage to the registered addresses of each of the shareholders of overseas-listed foreign shares.

Provided that the Company does not violate the laws and regulations of the place of registration and the place of listing and the Listing Rules, any requirement on communication delivered or provided by the Company in these Articles of Association shall be delivered or supplied through the Company's website or electronic means.

"Corporate Communication" refers to any documents delivered or will be delivered for the reference of any holders of any of the Company's securities, including but not limited to:

- (1) reports of the Board; the annual financial statements together with auditors' reports and (if applicable) summary of the financial reports;
- (2) interim reports and (if applicable) summary of the interim reports;
- (3) quarterly reports;
- (4) notices of meeting;
- (5) listing documents;
- (6) circulars; and
- (7) proxy forms.

#### Article 181

Where the Corporate Communication is despatched by post, it shall be placed in an envelope properly addressed with postage prepaid. With the envelope containing such Communication being put into the mailbox shall be deemed as despatched and regarded as received after 48 hours following the despatch.

Where the Corporate Communication is delivered by specially designated person, the addressee shall be required to sign his name (or affix his chop) on the receipt, and the date on which the addressee signs the receipt shall be the date of service.

Where the Corporate Communication is delivered by electronic means, the date of delivery shall be the date of service.

Where the Corporate Communication is delivered or supplied through the Company's website, the following dates shall be deemed as the date of delivery (whichever is later): (1) The date that the notice concerning the relevant Corporate Communication has been posted to the Company's website pursuant to the provisions of the laws and regulations of the place of registration and the place of listing and the Listing Rules is delivered to the holders of the Company's securities; or (2) the date that the Corporate Communication has been posted on the Company's website for the first time.

## **CHAPTER 21 SETTLEMENT OF DISPUTES**

Article 182 The Company shall act according to the following principles to settle disputes:

- (1) Whenever any disputes or claims arise between holders of the overseas-listed foreign shares and the Company, holders of the overseas-listed foreign shares and the Company's Directors, supervisors, president or other senior management members, or holders of the overseas-listed foreign shares and holders of domestic shares, based on the Articles of Association or any rights or obligations conferred or imposed by the Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights abovementioned is referred to arbitration, the entire claim or dispute must be referred to arbitration and any person (being the Company or a shareholder, Director, supervisor, president or other senior management members of the Company) who has a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration.

Disputes in relation to the identification of shareholders and disputes in relation to the register of members need not be referred to arbitration.

- (2) A claimant may elect to have arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects to have arbitration at Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.



- (3) If any disputes or claims of rights prescribed in subparagraph (1) above are referred to arbitration, the laws of the PRC shall apply, save as otherwise provided in the laws and administrative regulations.
- (4) The award of the arbitration body shall be final and conclusive and binding on all parties.

## **CHAPTER 22 SUPPLEMENTARY PROVISIONS**

- Article 183 These Articles of Association are written in Chinese.
- Article 184 The right of interpretation shall belong to the Board of the Company whereas the right of amendment shall belong to the shareholders' general meeting.
- Article 185 "Accountants' firm" in these Articles of Association shall have the same meaning as "auditors".

WUMART STORES, INC.